

GETTING THE MOST FROM LOCAL PROPERTY TAX DOLLARS

**What Works and What Doesn't Work
in Managing Public Schools and Municipalities**

*A collection of actual practices in the
operations and procedures of
local municipalities and school districts
based upon the findings of the
Local Government Budget Review Program*

CHRISTINE TODD WHITMAN
Governor

JAMES A. DiELEUTERIO, JR.
State Treasurer

JANE M. KENNY
***Commissioner
Department of
Community Affairs***

DR. LEO KLAGHOLZ
***Commissioner
Department of
Education***

LOUIS C. GOETTING, IV
Deputy State Treasurer

Meredith L. Stengel
Director
Local Government Budget Review
James J. Stores
Team Leader

Dr. Wayne A. Cochrane
Deputy Director
Local Government Budget Review
Jennifer Driscoll Petrino
Team Leader

Gilbert H. Francis
Project Writer

October 1997



State of New Jersey

OFFICE OF THE GOVERNOR

CN-001

TRENTON NJ 08625-0001

(609) 292-6000

CHRISTINE TODD WHITMAN
Governor

October 1997

Dear Local Official and Taxpayer:

I am pleased to provide you with a copy of **"Getting the Most from Local Property Tax Dollars: What Works and What Doesn't Work in Managing Public Schools and Municipalities."**

This newest publication, produced by the State of New Jersey, complements the "how to" budget review manual, **"Achieving Excellence,"** which was distributed to local officials and taxpayers last October. Both manuals are designed to help communities, counties, and school boards cut costs and become more efficient. They contain tips on ways to improve local government and save tax dollars through the implementation of good fiscal practices on the local level.

The State of New Jersey provides a free service to local governments interested in obtaining performance and budget reviews. Teams of professionals skilled in local government management are dispatched to municipalities and school boards that ask for our help. Many local officials and taxpayers have expressed an eagerness to move forward with their own reviews, independent of the state program. That is why this manual and the earlier publication on how to conduct a local budget review are so useful.

This guide provides valuable information so that officials and taxpayers can concentrate on the best practices and begin to implement savings immediately. Savings that can help reduce local budgets and control property taxes.

Government must spend the people's money in the most cost-effective manner. As taxpayers and elected officials, we have an obligation to make sure the public is getting the most for its dollars. I know this guide will help municipalities, counties and school boards reduce costs and taxes.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Christine Todd Whitman".

Christine Todd Whitman
Governor

TABLE OF CONTENTS

INTRODUCTION	1
WHAT WORKS AND WHAT DOESN'T IN MANAGING PUBLIC SCHOOLS	
PERSONNEL	2
Organizational Structure	2
Board Members	3
Hiring Practices	4
Staff Development	5
Collective Bargaining Agreements	6
Health Benefits	7
Contracted Services	8
FINANCIAL MANAGEMENT	10
Banking Relationships and Investments	10
Purchasing	11
Inventory	12
Budget Surplus	13
Accounting and Financial Reporting	14
Grants Management	14
Competitive Contracting	15
Management Information Systems	16
Miscellaneous Management Issues	17
OPERATIONS	19
Custodial and Maintenance Services	19
Energy	20
Vehicles	21
Facilities	22
Facility Utilization	23
Security	24
Transportation	25
Food Services	26
Insurance/Risk Management	28
PUPIL SUPPORT PROGRAMS	30
Guidance	30
Athletics/Extracurricular Activities	31
Library/Media Programs	31
Driver Education	32
BilingualVESL Instruction	33

Basic Skills	34
INSTRUCTIONAL PROGRAM	35
Class Size	35
Teacher/Pupil Relations	35
Schools and Their Structure	36
Special Education	38
Adult Education	39
Alternative Education	40
Other Instructional Programs	41
COORDINATING RESOURCES	42
Shared Resources	42
Regionalization	43
Volunteers/Community Support	43
WHAT WORKS AND WHAT DOESN'T IN MANAGING MUNICIPALITIES	
LABOR, COMPENSATION AND PERSONNEL PRACTICES	45
Management of Compensable Time	45
“Invisible” Compensation Issues	46
Organization	48
Recruitment, Hiring and Personnel Administration	49
Employee Health Benefits	50
CASH MANAGEMENT/INVESTING	52
Selecting Depositories	52
Cash Flow Management	53
BUDGETING AND EXPENDITURE CONTROL	55
Budgeting	55
Budget Control	56
Purchasing	57
Fees/Public Subsidy of Optional Programs	59
MANAGEMENT INFORMATION SYSTEMS (MIS)	61
REVENUE COLLECTION	63
Tax Collection	63
Delinquent Tax Collection	63
Water and Sewer Billing	64
Miscellaneous Revenue Collections	65

INSURANCE	67
MUNICIPAL PROPERTY	69
ECONOMIC DEVELOPMENT	71
COUNCIL/CLERK’S OFFICE	73
Clerk’s Office	73
Governing Body/Council	74
MUNICIPAL COURT	75
COORDINATING RESOURCES	77
Shared Resources	77
Regionalization	78
Competitive Contracting	79
Volunteers/Community Support	80

INTRODUCTION

The local government budget review (LGBR) teams conducted reviews in 16 municipalities, 12 school districts and one municipal utility. The findings, conclusions and resulting recommendations have been set forth in comprehensive review reports which have been circulated to elected officials and the public. The total potential tax savings value of municipal recommendations is more than \$45 million and the total potential tax savings value of school recommendations is more than \$56 million. Based upon the data and experiences gathered in developing these reports, the team has been able to identify some concepts, trends, patterns and themes representative of the entities reviewed.

The October 1996 publication, **Achieving Excellence**, set forth the basis for the program and the methodology for its implementation. The program is focused on improving the quality of service provided by local agencies to taxpayers as well as maximizing the effective use of every taxpayer dollar. Recognizing that more money in and of itself, does not mean more or better service, the LGBR teams endeavor to make both short and long term recommendations of sound fiscal alternatives to what is being done by the entity. Furthermore, the team is careful not to reduce or minimize productive services or programs.

This report is directed toward identifying practices which highlight the need to address various problem areas through the implementation of the LGBR recommendations.

General themes and practices are discussed in this report. However, some specific examples are used to affirm both the reality of the problems and the ability to resolve them. We are pleased that many of the recommendations contained in the respective reports are already being addressed. An observation made to LGBR staff by some individuals in the agencies reviewed is “sometimes we are too close to the situation to see the problem or the solution and so the review helps.”

The format of this document focuses on observations of “what works” and “what doesn’t work” and their impact in managing the resources of municipalities and school districts. Noted as well, are the implementation aspects of who can effect change and the parameters or timeliness of the implementation.

It is our belief that local school districts and municipalities can use the examples of what works and what doesn’t illustrated in this document to improve their own operations. By viewing these and comparing them to local practices changes can be made that will result in “getting the most from local property tax dollars.”

PERSONNEL

Key to the effectiveness of every governmental organization is the manner in which its personnel function is performed.

ORGANIZATIONAL STRUCTURE

Districts intent on conserving funds must operate according to generally accepted business standards. Their goal is to enable the leadership and staff to function in a well organized, focused manner.

What Works

Sound organizational structure is integral to an effective school district. Some positive organizational characteristics include:

- having lines of authority and related responsibilities clearly delineated and communicated for the benefit of staff, students, parents/guardians and the community;
- having accurate and up-to-date employee handbooks which outline essential guidelines and regulations;
- having informative benefit manuals which are circulated to promote an informed staff;
- combining or eliminating key administrative positions without adversely impacting on the effectiveness of the district's leadership or its thrust to deliver a quality educational program; and
- having evaluations conducted by appropriately certificated administrators.

Impact: Administrative functions and costs are controlled by effectively using administrators to perform their assigned duties and responsibilities while cutting staffing in certain overlapping areas. Confusion and poor dissemination of information are largely eliminated through clearly defined, well known guidelines and regulations.

What Doesn't Work

An inappropriate or ineffective organizational structure is characterized by:

- the lack of an accurate and up-to-date employee handbook or a benefit manual;
- an absence of strong leadership skills to solve long-standing and systemic problems;
- no clearly defined lines of authority, responsibility and communication;
- an inequitable distribution of administrative duties and responsibilities;
- a reliance on informal networks;
- policies that establish staffing levels without consideration of the particular characteristics of the classes;
- administrative costs that are higher than the state averages; and
- administrators with responsibility for an excessive variety of tasks.

Impact: Disjointed organizational structures serve to reduce the effectiveness of districts as they try to deliver a service or carry out their mission. In turn, students, staff and the community are frequently misinformed or misdirected when they seek information or pursue educational objectives.

Implementation Guidelines/Parameters

The board and the top administration have a vested interest in working in concert to achieve a focused and well organized educational team to deliver a quality level of education to its students. Restructuring ineffective administrative organizations can be implemented within the contract year.

BOARD MEMBERS

The role of a school board centers around establishing policies, fostering good board/administration relations and monitoring district operations and fiscal responsibilities. Key to this is controlling the management of board expenditures.

What Works

A school board is effective when its members:

- understand and restrict themselves to adhering to their prescribed duties and responsibilities;
- are not issued credit cards or cellular phones;
- attend board training programs;
- keep informed on district issues; and
- are conservative and open about conference attendance and related expenses to keep expenses from being excessive.

Impact: An effective school board that recognizes and fulfills its role can set the tone for how all educational goals are met thereby assuring the best possible education for the students for the money expended.

What Doesn't Work

School boards add to expenses and interfere with educational goals when:

- school boards micro manage the district and the day to day operations;
- inexperienced boards falter in areas such as member relations and board/administrator relations and responsibilities;
- board members and administrators misuse district credit cards or cellular phones;
- no limit is set on the number of trips or amount of expenses incurred by both board members and administrators; and
- no preapproved voucher system exists for expense reimbursement.

Impact: The taxpayer is not getting a full return of services for the monies being expended. The lack of control by the board leaves room for misuse and abuse of taxpayer funds.

Implementation Guidelines/Parameters

The board members need to know their function and responsibilities. The district's legal counsel and both the superintendent and the board secretary should endeavor to help the board to confine its activities to areas clearly within the board's parameters. Board members have the responsibility and obligation to the people they serve, the public, to learn what their duties are and to keep focused on executing them in accord with accepted standards. Board policies can be enacted to establish parameters for board member activities and expenses.

HIRING PRACTICES

Effective hiring practices will enable a district to have the type of staff necessary to carry out its mission. The right persons in the right positions who understand and are provided the opportunity to implement their assigned duties and responsibilities will certainly be beneficial to the system and taxpayers.

What Works

Hiring practices result in sound decisions that support educational objectives when:

- most aides employed in the instructional program are certified;
- all instructional staff are fully certified when hired;
- the hiring process is centrally coordinated to assure consistency of qualifications and financial accountability;
- the district hires the candidates who are best qualified for the position(s); and
- the district monitors the size of its staff to avoid excessive or the misallocation of positions and salaries.

Impact: The result of these practices is that the districts are able to achieve the provision of quality service while being conservative in spending funds.

What Doesn't Work

Hiring practices can be destructive to the goals of an organization and cost more than necessary when:

- the district demonstrates excessive hiring;
- there are too many administrators, teachers and support staff with excessive salaries;
- too many teachers are hired with only emergency certifications;
- the district does not monitor and follow through on emergency certificated staff members to assure that their certification process is completed; and
- the district hires persons related to board members/administrators or on a basis of "who you know."

Impact: The districts, through these types of actions, substantially add to the ultimate cost of educating children but with minimal advantages or returns.

Implementation Guidelines/Parameters

The board should act favorably upon the administration's findings and recommendations to establish the size of the district's staff, redefine staff responsibilities and duties and institute a system to monitor the effectiveness of the revised organizational structure. In some districts there may be a need to revisit the negotiated agreements to identify where modifications can support the changes needed to help the district save monies while maintaining a quality level of service. Anti-nepotism and conflict of interest hiring policies can be enacted immediately.

STAFF DEVELOPMENT

Education is an ongoing process and in order to be able to learn about, and benefit from, changes and advancement in educational methodologies, staff must be encouraged to, and be assisted in, keeping current on changes in approaches to education through training and participation in professional organizations.

What Works

Staff development is enhanced by:

- providing opportunities and/or reimbursement for staff development that is related to improved instruction and that supports the state's core curriculum content standards;
- having an explicit training and development policy which limits expenditures per employee and establishes equitable criteria for selecting individuals for training opportunities;
- requiring submission of information gained through training either as a presentation at a staff meeting or as a report (turn-key training);
- offering appropriate in-house training;
- utilizing talented and skilled in-district staff to conduct staff development programs; and
- facilitating conference attendance geared toward improving the educational program.

Impact: A well-formulated program of professional development enables staff to stay in touch with changes in approaches to the areas in which they specialize. A program that has explicit procedures also balances costs that could be limitless against the benefits derived. When the information is shared with other staff, the productivity of the dollars expended is increased.

What Doesn't Work

The benefits of staff development opportunities are lost when:

- districts fail to set a dollar or time cap on the various seminars, courses and conferences attended by one individual;
- districts send multiple staff members to the same conference or training program;
- there are no controls or limits on the number of day-long seminars attended by teachers;

- there is no policy to assure the equitable distribution of training and enrichment opportunities; and
- staff does not share information gained with other staff.

Impact: When a staff development program has the above mentioned weaknesses it can be extremely costly and there may be no measurable results.

Implementation Guidelines/Parameters

If training is not specifically covered in the collective bargaining agreements, a staff development plan can be formulated by a committee representing all titles and departments for review by all staff and approval by the board of education.

COLLECTIVE BARGAINING AGREEMENTS

Historically, some districts have awarded exceptional benefits during high pressure contract negotiations. This practice is costly to the taxpayer and many of the provisions added in past negotiations need to be reviewed to assure a rational and equitable compensation structure.

What Works

Positive contract provisions include:

- sick leave that is consistent with the state and civil service practices, set at 10 days per year for 10 month employees and 12 days for 12 month employees;
- having a cap on the payment for reimbursable leave upon retirement;
- limiting sabbatical leave without pay during which seniority, salary and position are held;
- having a fair and limited leave policy to cover the event of a death in the family; and
- granting stipends for extra curricular activities only for services rendered.

Impact: The management of compensable time is crucial. By having a clear policy and approach to extending leave and accumulation of leave for payment, the district is able to save a significant amount of taxpayers' money.

What Doesn't Work

Costs are inflated significantly by the need to provide substitutes for excessive leave time and/or payment of accumulated leave upon retirement. Some of the most costly practices are:

- allowing twelve month employees to bank vacation days without limit;
- providing 20 vacation days plus school vacations and holidays to 12 month staff;
- using accumulation of sick days for payment at retirement as an incentive for employees to come to work;
- giving release time for attendance at association and union meetings or family graduations rather than having the staff use personal time;

- allowing staff members to donate sick leave to employees who have exhausted theirs while the district adds an additional day for every four donated;
- giving monetary or time off rewards for employees who do not take sick leave time;
- granting employees more sick leave than is the norm;
- having no criteria or conditions for granting extended sick leave;
- folding unused personal time into the individual's sick bank making it subject to the guidelines covering sick leave payout;
- paying teachers as much as 75% of their salary while on sabbatical leave;
- paying longevity to teachers who are still receiving cost of living adjustments to the pay scale and step increments within the pay scale;
- establishing salary guides which provide more favorable compensation based on the employees' start dates; and
- granting stipends on the basis of titles rather than for performance of extra service outside of the scope of the individual's regular position.

Impact: Without necessarily providing benefit to the district, these practices inflate the cost of an individual employee significantly while at the same time causing the need for additional personnel.

Implementation Guidelines/Parameters

Almost all of the issues enumerated require that school boards and their top school administrators work together to update board policy and to renegotiate applicable contractual provisions. The administration would then implement the changes intended to achieve the effective and efficient use of property tax revenues.

HEALTH BENEFITS

To meet the health benefit needs of employees, districts need to incorporate safeguards in order to assure that costs are controlled. The benefit program also needs to be viewed as a part of each employee's total compensation package.

What Works

Districts successfully and equitably control costs when:

- they provide a means for the employee to share the cost of family benefits;
- they have a reliable process for routinely deleting former employees from health benefits coverage on a timely basis;
- the health benefits programs offer a series of options including less expensive Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO) options;
- they competitively bid both health plans and broker services at regular intervals; and
- they provide a means for employees to share the cost of the more expensive traditional plan alternative.

Impact: Health benefits are a valuable and expensive part of an employee's compensation package. When it is viewed as such and costs are controlled in a balanced manner the district will moderate costs borne by the taxpayer.

What Doesn't Work

Employee benefit costs escalate in a manner that skews compensation packages and removes control over costs from the districts when the district:

- provides free health coverage regardless of the type or level of coverage;
- provides family coverage for both employed members of a family for the same plan, thus duplicating coverage;
- takes no action to encourage a larger percentage of the employees to enroll in the less costly HMO or PPO options;
- does not provide coverage options;
- pays a bonus for not accepting or for reducing benefit coverage;
- has copayments for the prescription plans that are well below health insurance industry standards;
- does not provide prescriptions for retirees as a separate class;
- provides health coverage to contractual, non-employees;
- provides double coverage for people no longer in the employ of the district;
- does not have employee share in family member benefit costs;
- does not competitively bid broker relationships or provider services on a regular basis; and
- does not negotiate prescription plan costs.

Impact: The result of these practices is inequitable compensation and uncontrolled personnel-related costs which, in turn, mean higher property taxes.

Implementation Guidelines/Parameters

Both the board of education and administration need to work together to set goals for negotiating cost management tools into contracts. In addition, the school business administrator can immediately review policies and practices related to some of the issues such as purging former employees.

CONTRACTED SERVICES

Districts necessarily contract for specialized professional services including: legal, auditing, consulting, and medical. Of concern is not necessarily the need for the contracts but the manner in which the contracts covering the services or the providers are drawn.

What Works

Professional contracts are cost efficient and effective when the district:

- explicitly delineates the services to be rendered, the unit cost of the service and a not to exceed amount in the contract;

- does not give a part-time contract employee benefits similar to those enjoyed by full-time employees;
- periodically reviews the market costs and availability of providers through the request for proposal process; and
- ensures that there is a fully executed current contract in effect for every service rendered to the school district.

Impact: The result of these practices is that the district is reasonably aware of the cost of a service and can adequately budget and plan for such expenses.

What Doesn't Work

Many costly errors are made in the way that professional services contracts are written, the compensation is provided and the parameters are set. Some of these practices include:

- contractors are given medical and pension benefits;
- professional contractors are allowed to make policy decisions that are better and more efficiently formulated by in-house staff;
- there is no basis for the rate at which services are paid;
- no executed contract exists, or if there is a contract, it fails to clearly define the contractor's responsibilities;
- multi-year contracts fail to delineate time frames and expected outcomes or other pertinent specifications;
- contracts do not include not-to-exceed cost limits; and
- contracts are awarded without regard to competitive proposals.

Impact: The failure to have the terms of contracts explicitly delineated can be very costly in terms of both dollars and operational productivity. When details are missing, control of cost and outcome are lost.

Implementation Guidelines/Parameters

The district board of education should specifically define outcomes for any professional service contract. Professional service contracts must then be reviewed by the board attorney to mitigate or eliminate the district's legal exposure.

FINANCIAL MANAGEMENT

Every district has an obligation to the taxpayers to do whatever is possible to prudently manage its finances.

BANKING RELATIONSHIPS AND INVESTMENTS

School districts are responsible for handling large sums of money as part of doing business. As these funds flow through local banks, care must be taken that the district receives the maximum possible return.

What Works

Effective and positive banking relationships occur when districts:

- select financial institutions based on written responses to a request for proposal (RFP);
- monitor and analyze the cash flow of its major accounts on a daily basis;
- explore the possible comparative advantages of investing through the New Jersey Cash Management Fund (NJCMF);
- select more than one financial institution and make agreements nonbinding for the full year;
- select depositories that use sweep accounts and similarly conservative mechanisms to enhance the public's income;
- invest excess funds aggressively; and
- can access the bank and financial information pertaining to its accounts on-line through a computer.

Impact: When these steps are followed, a district will be sure that it is maximizing its interest income.

What Doesn't Work

Income is lost when the district:

- relies on friendly/ historical agreements and arrangements;
- dusts off last year's resolution and adopts it again without review;
- does not aggressively invest unused cash;
- does not aggressively collect grant and tuition receivables;
- has some accounts that earn less than the market rate as indicated by a suitable benchmark such as the NJCMF;
- has payroll accounts that are not structured as zero balance accounts;
- does not solicit competitive proposals;
- is not able to contact the bank and review account information by computer; and
- has current agreements that do not call for investing more significant amounts in longer term instruments.

Impact: The district is losing revenues by failing to incorporate sound fiscal practices into their financial management procedures.

Implementation Guidelines/Parameters

The ability to begin to address the issues identified above are only limited by the constraints of particular investment instruments and agreements with banks. Both the board and the school business administrator share in the responsibility to develop policies and procedures that provide a solid framework within which to manage and invest monies. The same entities need to be kept informed of actions in order to monitor compliance with policies. This can be well accomplished through the submission of weekly summaries to the school business administrator and monthly summaries to the school board.

PURCHASING

Districts are large purchasers of goods and services. The manner in which their purchasing function is executed helps to determine whether or not districts maximize the value received while minimizing overpayments, waste, and losses.

What Works

Successful school purchasing operations have:

- clearly defined and written purchasing procedures and guidelines;
- procedures which ensure that every effort is made to always seek the best values for all purchases;
- access to cooperative purchasing programs and/or shared service arrangements with the community or other districts; and
- an automated purchasing system is utilized to ensure compliance with purchasing requirements and to provide information which facilitates decision-making.

Impact: Substantial time, effort and monies can be saved when efficient and effective purchasing procedures are utilized.

What Doesn't Work

The purchasing process results in a lack of accountability and waste when:

- purchasing procedures are either unwritten, unclear, cumbersome or nonexistent;
- the purchasing process is not automated;
- there is no contracting agent to serve as the central point of control to ensure compliance with procedures and selection of the best price;
- there are no internal controls;
- the purchasing function is overstaffed;
- local building administrators are not held accountable for their purchasing and budget accounts;
- smaller items are not allowed to be purchased locally even when the item can be obtained for less money and in a more timely manner;

- the process is not reviewed periodically to respond to changes in organization and policies;
- purchase cut-off dates are too early or imposed without warning;
- payments for goods and services are not done in either a timely or efficient manner; and
- the district fails to make timely payments on its purchases thereby losing the potential for discounts.

Impact: Poor or nonexistent purchasing procedures can drastically impede the effective operation of the district's purchasing function.

Implementation Guidelines/Parameters

Purchasing policies and procedures should be reviewed for thoroughness and simplicity on a regular basis by the business administrator and/or the designated contracting agent, so that procedural revisions can be made while policy changes or an investment in an automated system would require approval by the board of education.

INVENTORY

Districts use a wide range of methods for storing, accounting for and securing materials and supplies.

What Works

An inventory control system is effective when:

- it is centralized and district-wide;
- there is centralized warehousing of items that are logically bulk-purchased;
- security is in place to safeguard against theft;
- inventory of consumable items is rolled over to prevent long term storage and waste; and
- it includes a fixed asset inventory which complies with state regulations.

Impact: Good inventory management can help to reduce the costs of unnecessary purchases, pilferage and waste.

What Doesn't Work

Poor inventory control results from:

- having multiple storage locations and decentralized control of inventory;
- having no or an inaccurate fixed asset inventory;
- inaccurate information about supplies leading to duplication or waste; and
- having no security or control over the distribution of inventory.

Impact: Districts are hard pressed to accurately assess their needs for materials and supplies when they do not properly control their inventories. This in turn results in

overstocking or understocking of supplies. The result of this is overexpenditure from overstocking and loss of productivity from understocking.

Implementation Guidelines/Parameters

The appropriate solution to inventory related issues differs depending on the size of the school district, among other factors. In some districts, the establishment of a centralized warehouse is necessary. In others, instituting better security and control is needed. A solution for all districts is an automated purchasing system that has a built-in inventory control module. Then even if storage must be decentralized because of space or staffing considerations, there is a way to look at the inventory as a whole. This can be implemented by the school business administrator.

BUDGET SURPLUS

The manner in which districts calculate their reserve can directly result in unnecessary tax increases.

What Works

The following practices result in a well managed calculation and use of surplus:

- expenses are accurately estimated;
- all budget estimates are historically accurate and therefore a reserve amount can easily be set within the state cap of 6 %;
- surplus growth from year to year is minimal;
- a stable amount of surplus is used to offset the need to raise property taxes;
- the budgeted reserve amount is similar to the actual amount available at the end of the budget year; and
- the board has established reasonable procedures to authorize expenditure of excess surplus.

Impact: The impact of proactive management of surplus is a stabilized and minimized school district tax levy.

What Doesn't Work

Surplus management is ineffective and costly to taxpayers when:

- actual surplus is underreported;
- the actual surplus exceeds the 6% cap established by the state;
- a district maintains the surplus at the cap even when it is not necessary;
- revenue and expenditure estimates in the budget are inaccurate;
- there is significant and repetitive growth in the annual surplus;
- does not pad budgets to develop a hidden surplus to fund budget items (e.g., renovation of an administrative office building) in order to avoid public disclosure or a vote on the expenditure; and
- unanticipated surplus is expended with little or no accountability.

Impact: The impact of a poorly formulated budget and an unmanaged surplus is a tax levy higher than is necessary. This constitutes a serious disservice to the tax paying public.

Implementation Guidelines/Parameters

The school business administrator, superintendent and school board have an obligation to assure that the budget is appropriately and accurately formulated and that off budget expenditures are made with the greatest amount of visibility and control.

ACCOUNTING AND FINANCIAL REPORTING

What Works

The school district operates in compliance with Generally Accepted Accounting Practices (GAAP).

Impact: Accounting is performed in a manner that clearly depicts the organization's financial status allowing managers to make informed decisions. The consistency of GAAP also enables managers to identify trends and use that information in formulating future budgets.

What Doesn't Work

Financial control and data are lost or diminished when:

- accounting entries are not posted properly;
- double entry bookkeeping is not being used;
- staff is not properly trained to use the system; and
- decision makers do not have adequate or accurate data to facilitate sound fiscal decision making.

Impact: The failure to have effective accounting policies and procedures in place can result in incorrect recordkeeping, inaccurate fiscal data and confusion which tends to hamper the goals of sound fiscal responsibility.

Implementation Guidelines/Parameters

It is the responsibility of the school business administrator and ultimately the school board to assure compliance with state law in using GAAP accounting and ensuring that it is properly implemented. If there are flaws, training and implementation of procedures to ensure accountability can be instituted in the short term.

GRANTS MANAGEMENT

What Works

Grants successfully enhance educational programming when:

- districts assure that grant funds are fully expended during the term of the grant;
- grants are not used in a manner that builds in unfunded future expenses;
- grant opportunities are pursued vigorously; and
- grants are funded with full costing of the program to include overhead, administration and indirect costs.

Impact: Prudent planning and timely expenditures fulfill the goals of the grant to improve the districts' educational programming.

What Doesn't Work

Students do not get the full value of grant programs or tax funding when:

- districts fail to fully utilize their grant funds within the time frame required;
- grant programs are used to build in future costs;
- grant opportunities are not utilized; and
- grant funding has not taken into account all costs of the program including indirect costs, overhead costs and administration.

Impact: The above characteristics reduce the planned and projected grant-funded improvement in educational programs both for the year in question and future years.

Implementation Guidelines/Parameters

Budgeting and accounting for grant programs needs to be done in a way that allows managers to track spending and assure that the program is implemented according to the grant proposal and budget. District staff should be encouraged to pursue grant proposals.

COMPETITIVE CONTRACTING

What Works

Competitive contracting works when:

- there are multiple vendors already providing a service in the private sector;
- used in areas conducive to competitive contracting including:
 - operational support:
 - ◊ food services;
 - ◊ custodial services;
 - ◊ security;
 - ◊ building maintenance services;
 - ◊ transportation; and
 - ◊ grounds maintenance services.
 - pupil support services:
 - ◊ health services;
 - ◊ child study team services; and
 - ◊ speech services.

- there are clear guidelines and extensive bid specifications to safeguard the district's interests.

Impact: It was found that quality services can be provided at a significant cost savings to the district through competitive contracts. The availability of the services for less money means that the district can contract with the private sector or reorganize the delivery of service to reduce costs to an appropriate market level.

What Doesn't Work

Competitively contracting for services does not work when:

- the specifications are not carefully constructed;
- competition does not exist in the private sector;
- the service is contracted but not on a competitive basis;
- the service is contracted out and the staff that had been providing it were retained without reassignment;
- districts are not in control of the contract and provisions do not exist to terminate due to unsatisfactory service; and
- the function is being performed in a cost efficient manner by staff already.

Impact: Poorly executed competitive contracting can be more costly than producing a service or product in-house.

Implementation Guidelines/Parameters

To begin to access the potential cost savings of competitive contracting for services, the school business administrator, the superintendent and decision makers in affected departments should work to identify and compare alternatives with the objective of reducing costs. Once this has been accomplished, they should develop an implementation plan and seek the concurrence of the school board.

MANAGEMENT INFORMATION SYSTEMS

The rapid movement of technology development requires each school district to maximize its involvement on all levels as soon as is possible. Many districts move slowly because of the cost factor. However, once installed and if its usage is prioritized, the districts realize savings in a very short period of time while increasing both productivity and effectiveness.

What Works

Districts have a favorable outcome from using technology when:

- staff and students are thoroughly and properly trained in its proper use;
- equipment is properly maintained and/or updated periodically;
- technology is incorporated into the various course offerings;
- linkage is established with other sources; and

- community and corporate sponsorship is sought to enable the program to expand and keep up with significant technological changes.

Impact: A well functioning technology system can be of service to the board in its making more informed decisions, staff to generate improved data storage and retrieval and students as a source of both instruction and relevant information sharing.

What Doesn't Work

Districts suffer when:

- there is no or limited use of technology;
- a service contract is maintained when there is a computer technician in the district;
- it does not separate hardware purchase from the purchase or rental of the software;
- it does not solicit for corporate sponsors to ensure that its computer technology program will continue to evolve and stay current;
- old technology is retained at substantial maintenance costs;
- little or no training or support is offered to users;
- bonding for technology is for a period greater than its useful life;
- part of the staff, especially teachers, refrain from becoming computer literate;
- the district fails to assess its technology needs;
- appropriate training is not provided to all technology users; and
- there is no coordination or communication with other entities.

Impact: The lack of technology or underutilization of a system can be costly in terms of staff and student productivity and thereby result in wasting tax payer monies.

Implementation Guidelines/Parameters

The chief school administrator and the business administrator should cooperate to promote the district's involvement in developing technology for use by the students, board members and staff to enhance both instructional and business office capabilities. The allocation of funds and the active effort to solicit additional monies, equipment or services must be ongoing to address district needs.

MISCELLANEOUS MANAGEMENT ISSUES

Any decisions made or procedures used by school administrators need to be evaluated in terms of their costs and benefits and must include consideration of less obvious costs in addition to the apparent costs.

What Works

Here are a few examples of positive policies and procedures which greatly increase the value of the district's tax dollars:

- requiring tracking and payment of personal use of the telephone; and

- automated attendance systems that cut the need for staff involvement in half and increase the district's ability to manage and address absenteeism and truancy issues;

Impact: These are just a few examples, however, every aspect of school district operations needs to be considered in terms of the resulting impact on need for staff, achievement of the intended objective and the impact on state funding.

What Doesn't Work

Significant tax dollars intended to support student education are wasted in a variety of ways that can be categorized as a failure to carefully consider the costs and the underlying implications of a decision. Some examples include:

- spending as much as \$400,000 on staffing for manual attendance record keeping;
- losing significant state aid due to excessive student absenteeism and truancy; and
- supporting personal expenses of staff by not routinely and efficiently identifying personal phone calls and collecting payment for them.

Impact: One district lost more than \$26 million in state aid because of truancy and absenteeism. An antiquated, manual attendance program costs significant amounts in staff and classroom time and undermines a district's ability to identify and respond to attendance issues.

Implementation Guidelines and Parameters

There are actually a wide variety of decisions and procedures that can have serious negative impacts. The district leadership including the superintendent and the business administrator need to routinely review procedures and policies to identify areas that require improvements. This should be an ongoing process that can be initiated immediately.

OPERATIONS

The day to day operations reviewed by LGBR teams included custodial and maintenance services, energy, vehicles and security. In each of these areas, costs were compared to private vendors' competitive prices.

CUSTODIAL AND MAINTENANCE SERVICES

Every school district is faced with the responsibility of keeping its facilities clean and well maintained. When districts look at the comparison between doing the work in-house as opposed to having a vendor provide the services, there is usually resistance to the change. This is based on the districts' reasoning that locally known staff get to know children and their parents and there is infrequent staff turnover. On the other hand, there is a perception that in some districts this serves as a possible or even probable area for nepotism or political patronage in filling job vacancies.

What Works

Custodial and maintenance services are effective and cost efficient when:

- costs are held to near the current market standard;
- qualified, reliable staff are hired and retained;
- night differential premiums are not paid;
- supervisory control is focused;
- schedules optimize productivity;
- there is no built-in overtime and all necessary overtime is minimized;
- the number of personnel performing the function are proportional to the district's need; and
- sick leave time is recorded accurately and closely monitored to reduce abuse and reduce the need to staff for absences.

Impact: These activities all result in cost savings while enabling the districts to improve productivity.

What Doesn't Work

Significant tax dollars are spent unnecessarily when:

- the staffing level and pay scale are inappropriate for the duties and amount of work;
- night staff is paid a premium differential;
- staff lack the training needed to perform their duties effectively;
- there are excessive sick leave and other unscheduled absences;
- overtime is built into the schedule and/or overtime is permitted without oversight or control;
- personnel are entitled to an additional stipend for earning their Black Seal license although the license is required for the position;

- there are too many supervisors in relation to the number of line personnel;
- the point of control and responsibility for scheduling work is uncertain;
- other sources for providing the services such as shared services or contracting out are not considered and evaluated;
- special effort custodial services are not charged to the program; and
- classrooms used in the evening are found to require cleaning the next morning.

Impact: The impact of these practices is clearly a loss of control and accountability as well as a loss of productivity. This, in turn, means that the service is costing the taxpayer more than necessary.

Implementation Guidelines/Parameters

The school business administrator through consistent oversight and review of the organization can address all of the above issues in an effort to minimize costs while maximizing productivity.

ENERGY

Every district is faced with energy costs which may have increased substantially over the past few years. Frequently, this has been taken for granted and accepted as being unavoidable.

What Works

Many school districts have identified ways to control these costs. Some of the techniques implemented are:

- conducting energy audits and implementing recommended improvements;
- contracting with an energy management company to retrofit all the schools' heating and air conditioning units and lighting and to incorporate energy saving measures;
- funding energy related facility improvements with future energy cost savings;
- integrating energy efficiency initiatives in all renovations and new construction; and
- receiving rebates from vendors for energy savings.

Impact: Where implemented, these initiatives have saved districts considerable amounts in facility operating expenses. The decision to implement energy efficiencies during the construction phase of one new school resulted in a \$97,500 vendor's rebate. Energy audits will save another district an estimated \$377,059 over a four year period, while a lighting conversion will save another district over \$400,000 annually.

What Doesn't Work

Depending on the age of most of the school buildings in the district, it is most common to find high energy costs that result from using outdated, old and inefficient systems. Efforts to change the situation are commonly impeded by the potential cost of retrofit.

Impact: Hundreds of thousands of dollars are being expended needlessly on energy annually.

Implementation Guidelines/Parameters

The school business administrator can immediately begin to contact energy vendors to identify methods of implementing an energy audit and renovations to produce significant energy savings.

VEHICLES

It is a school district's obligation to ensure that district vehicles are needed, are being maintained properly and are used for business-related purposes.

What Works

A district is managing its fleet of vehicles in a cost effective and appropriate manner when:

- vehicles are centralized and use is scheduled to minimize the number of vehicles needed;
- vehicle fueling and maintenance is shared with the municipal or another local government entity; and
- when possible, vehicle maintenance is contracted out to a less costly vendor.

Impact: The district saves monies through reduced assets and reduced upkeep expenses.

What Doesn't Work

Vehicle use results in excess costs when:

- vehicles are provided to staff based upon positions held, irrespective of business related miles traveled; and
- the district's vehicle maintenance costs are higher than they would be if the function were contracted out.

Impact: The unnecessary assignment or use of vehicles by district staff coupled with excessive maintenance costs causes the district to use monies that could be better utilized elsewhere.

Implementation Guidelines/Parameters

Policies related to vehicle use are within the purview of the school business administrator and ultimately the superintendent of schools. The issues should be reviewed for immediate implementation of improvements.

FACILITIES

It is obvious that many school districts throughout the state are adversely impacted by the age and condition of their buildings. Some districts have embarked upon construction or renovation projects for existing structures. Whether the buildings are old or new, a key element for districts to address is the utilization of the facilities they have. The LGBR teams, in an effort to get a clear assessment of this crucial area, visited the school buildings in every district reviewed.

What Works

Active management of facilities to enhance the educational program occurs when:

- buildings have good maintenance standards and staff;
- buildings are closed or reused for more suitable purposes when they are in poor condition as part of school configuration restructuring;
- a district forms an ad hoc committee of people with facilities expertise from the community to develop recommendations for facility improvements as part of an overall planning process; and
- a district adheres to the needs and mandates of its five year facilities plan and funds it accordingly.

Impact: The impact of an aggressive facilities management program is a better educational atmosphere and lower overhead expenses. In one district, when lighting was improved and the building was better maintained, graffiti and vandalism decreased.

What Doesn't Work

Facilities impede the educational process when:

- district facility needs are not addressed in a timely manner;
- there is either no or poor preventive maintenance;
- the district's five year facilities plan is excessive and unreasonable in its goals and therefore is not achievable;
- the district's facilities plan is not adequately funded;
- buildings are in poor condition and subject to overcrowding;
- buildings are not in compliance with the Americans with Disabilities Act (ADA);
- renovation/expansion of current structures is not considered before seeking support; and
- necessary relocation of district administrative offices has not been undertaken.

Impact: Facilities provide the setting for the educational program. If poorly addressed or not addressed at all, both students and staff are inclined to feel no one is concerned. At this juncture parents and the community have a vested stake in this problem. Older or unkempt facilities usually take more monies either to maintain, renovate or replace.

Implementation Guidelines/Parameters

The administration must set forth the district's needs with the assistance of licensed practitioners. The product should include alternative means of addressing district needs in a timely manner.

FACILITY UTILIZATION

Many factors affect classroom over or under utilization. Some may be directly resulting from the age and/or condition of buildings or student population trends. Regardless of the cause, the situation should be addressed and resolved in a timely and effective manner, keeping in mind the best interests of the students and the educational program, as well as the financial ramifications of the decision.

What Works

School utilization is optimized when:

- the district studies the placement of current and future students and programs and then formulates a workable, cost efficient means of adequately accommodating their needs;
- every reasonable and educationally sound effort is made to accommodate the district's special education population within the district;
- substandard space is eliminated;
- overcrowding is eliminated; and
- when necessary, the district reorganizes or redistricts its schools to maximize utilization without overcrowding and without expending further taxpayer dollars on new facilities.

Impact: Through effective planning and incorporation of appropriate changes, the districts are placed in a better position to accommodate the student population and the educational programs. This approach should save substantial dollars as opposed to addressing these situations with a band aid approach with unfocused, unplanned repairs and changes.

What Doesn't Work

School utilization impedes the educational process when:

- the district fails to study the placement of students and programs;
- the district fails to formulate a workable means of adequately accommodating their classroom needs;
- substandard space is not eliminated;
- the district fails to make every reasonable and educationally sound effort to accommodate the district's special education population within the district;
- facilities are overcrowded; and
- although recognizing a need, the district fails to reorganize or redistrict its schools to maximize utilization without overcrowding or simply seeks to build a new facility without maximizing use of existing facilities.

Impact: Poorly implemented facility utilization can impede the educational process and result in higher construction or renovation costs than necessary.

Implementation Guidelines/Parameters

The board of education, in conjunction with the district administration, must formulate a set of alternatives for addressing facility utilization issues. The longer it takes to implement meaningful action, the more costly and the more critical changes will become.

SECURITY

This is an area of school district facility operation that is increasing in importance and cost.

What Works

Adequate, cost effective security includes:

- monitoring inventory to prevent the loss of materials and supplies;
- providing adequate security staffing for athletic events with consideration of cooperative coverage by local police officers;
- installing video cameras on school buses where behavioral problems have been identified;
- taking steps to prevent harm to individuals; and
- contracting out security services to a private vendor.

Impact: Students, the public, employees and materials are safeguarded, preventing excessive liability claims, theft of materials and harm to individuals.

What Doesn't Work

Security programs are inadequate or inappropriate when:

- there is lax inventory control and monitoring;
- security staffing for athletic events is excessive; and
- procedures to address behavior problems on school buses are not in place.

Impact: A breach of student and staff safety and security can result in expensive litigation or other related costs. District efforts to keep problems at a minimum while ensuring the safety of individuals and security of both individuals and district properties must be maintained if costs are to be kept from escalating.

Implementation Guidelines/Parameters

The school business administrator and school principals must work together to assure that security coverage is effective. Reviews must be conducted periodically to determine whether the number of security personnel and their placement is sufficient to meet district needs.

TRANSPORTATION

Transportation is an area surrounded by controversial issues such as routing, out of district students, athletic and extracurricular busing, competitive contracting and courtesy busing.

What Works

A transportation program is efficient and cost effective when the district:

- uses automated bus routing software which has an integrated up to date map and a recordkeeping module;
- uses flexible school hours to maximize running buses at or near capacity;
- cooperates with the municipality to plan and install sidewalks where needed to eliminate courtesy busing;
- explores the potential for, and pursues cooperative busing arrangements when cost effective and/or vehicle maintenance with, other communities;
- ensures that buses make collective stops rather than door to door stops;
- installs video surveillance cameras on buses experiencing behavioral problems;
- reclassifies part-time drivers working 35 to 40 hours per week to full time; and
- has its fleet maintenance contracted out to private vendors, when financially appropriate.

Impact: When these steps are taken by a community, the district is effectively reducing the cost of providing transportation.

What Doesn't Work

Transportation programs can constitute a severe drain on a school budget when:

- there is overstaffing and/or duplication of transportation administrators in the district;
- the district fails to use buses to capacity throughout the day;
- the district fails to consider less costly alternatives for the provision of transportation services;
- the routing and scheduling is not automated;
- the district does not use flexible hours to maximize use of the vehicles;
- the cost of maintaining the district's fleet is greater than the market cost;
- a lack of sidewalks, a lack of crossing guards and a lack of traffic pattern analysis help to promote a perceived need for courtesy busing;
- door-to-door transportation is provided;
- students with parking permits do not forfeit bus seats;
- trips, buses and space on buses are not consolidated;
- the district does not consider regionalization of services as an option for special education, vocational and non-public school students;
- out-of-district student placements are not minimized (always with consideration of the student's needs as well as legal requirements);

- salary levels of drivers exceed reasonable industry rates through automatic percentage increases; and
- the district pays overtime to part-time employees for extra hours worked under 40 hours per week.

Impact: The impact of the above practices is a seriously inappropriate expenditure of funds, reducing the money available for instruction and potentially causing tax increases.

Implementation Guidelines/Parameters

The school business administrator, upon conducting a review of the district's policies, procedures and practices, would then be in a position to recommend possible changes for approval by the superintendent and the board.

FOOD SERVICES

Many school districts have lunch and even breakfast programs in accord with federal mandates which require that schools having five percent or more of their student population who are eligible for free lunches have a school lunch program. While some schools have full service kitchens, others may have a satellite station with heating elements or they may only serve food that is prepared elsewhere and then delivered to them for serving. In some neighborhood schools both students and staff may go home for lunch or they might brown bag their lunch.

Factors which influence the operating costs of a district's food service program include fiscal accounting, banking, payroll, purchasing discounts and special function meals and related costs.

What Works

The goal of providing adequate food service while paying for itself is a realistic goal. Some districts have attained this goal by:

- carefully managing recordkeeping and commodity controls;
- giving the school business administrator oversight of the program;
- having food service related funds maintained in interest bearing accounts and instruments;
- having *all* food service revenues and expenditures accounted for in an enterprise fund account;
- competitively bidding food service contracts at the end of their terms;
- controlling the staff hiring process through the district personnel officer;
- not paying overtime to part-time food service employees who prepare and serve food for evening meetings;
- setting lunch prices at least at the state minimum level;
- not having an excessive number of kitchen/lunch aides; and
- purchasing food service through the purchasing department thus taking advantage of bulk ordering and discounts.

Impact: Each of these practices address the need to reduce costs in order to make the programs self-supporting. They have also enabled school districts to operate food service programs without having their enterprise fund in deficit.

What Doesn't Work

Districts engage in a wide range of practices which drive the operating costs to a level out of proportion to industry standards. These practices include:

- overstaffing of kitchen and lunch aides;
- maintaining food service accounts with large balances that are not earning interest;
- not taking allowable discounts for prompt payment;
- failing to negotiate for bulk service discounts;
- automatically renewing contracts without competitive bidding;
- having inadequate recordkeeping and accounting systems;
- purchasing outside the district purchasing office;
- maintaining revenue and expenditures in a manner that obscures the true bottom line, either by counting board support as income or not charging legitimate expenses such as administrative costs, insurance and benefit costs to the fund;
- not seeking to expand the service base by marketing to nonprofits or private schools;
- charging lunch prices that are below state standard;
- paying overtime to staff for preparing food for board meetings or administration meetings;
- charging students less than the schools cost of purchasing prepared lunches;
- not centralizing the service to minimize differences between schools -- in one district one school generated a profit while another school operated at a significant loss;
- not consolidating food preparation sites to decrease costs;
- providing food unnecessarily to board and administrators for routinely scheduled meetings;
- meals are provided to staff and faculty for less than the actual costs; and
- not having clear lines of authority especially as related to hiring practices and product ordering.

Impact: In many districts for one or more reasons, the food service program operates at a deficit rather than at a profit. Whenever a district's program incurs a deficit, the taxpayers must make up the difference through public funding in the budget.

Implementation Guidelines/Parameters

The school business administrator has the responsibility to oversee the evaluation of the program and then move to institute changes that will enhance the program's fiscal stability.

INSURANCE/RISK MANAGEMENT

What Works

Appropriate, proactive insurance and risk management measures found in districts include:

- joint partnership with numerous other school districts for self insurance;
- a designated safety compliance officer and a vital, appropriately representative safety committee;
- a broker relationship based on competitive bids renewed by contract periodically;
- a specific procedure and policy concerning the handling of all workers' compensation and potential liability cases; and
- a designated risk manager who monitors experience and is active with the safety committee.

Impact: School districts, by their nature, have multiple facilities, are open to the public, and have a large number of employees. Therefore they can have an unpredictable and potentially high level of workers' compensation, general liability and property claims. The above measures enable a district to mitigate the potential for serious financial liability due to risks related to workers' compensation, general liability and property claims.

What Doesn't Work

School districts end up with large and unpredictable insurance claims when they are inattentive to risk management. Some of the practices which increase the districts' exposure are:

- having inaccurate asset inventories causing coverage of property no longer in use or coverage levels inappropriate to current property values;
- fragmented data collection related to all insurance issues;
- having no designated risk manager;
- having no safety compliance officer and no safety committee;
- having no provisions for return to light duty work;
- fragmented and duplicated brokerage;
- not reviewing broker and insurance relationships through a competitive process on a regular basis;
- there is no limit for which an attorney can settle a claim;
- having inappropriate coverage, for example having a low deductible instead of having an excess policy; and
- not participating in regionalized self insurance programs.

Impact: Lax risk management results in excess expenditures as well as unpredictable exposures and costs. Lax management of workers compensation can lead to a snowballing of workers compensation claims and, in turn, lead to a need for more employees.

Implementation Guidelines/Parameters

The school business administrator has an obligation to review and assess all risk management and safety related issues and then work with appropriate decision makers to incorporate necessary revisions and develop accountability for all insurance-related matters.

PUPIL SUPPORT PROGRAMS

Efforts to assist and motivate students through the provision of support services are very important to the ultimate success of students.

GUIDANCE

Providing a system of counseling services for the districts' students has grown in importance over the years.

What Works

A guidance program enhances the students' ability to succeed in a cost effective manner when the program:

- has clearly defined roles for counselors;
- does not involve counselors in extraneous roles unrelated to their central function of providing guidance to students;
- establishes caseloads for counselors that are neither too large nor too small; and
- does not involve necessary paperwork or record keeping.

Impact: An effective guidance program that has clear goals and is responsive to the students pays for itself in supporting the academic success of its students.

What Doesn't Work

Guidance programs can be costly with no or negative impact when:

- the program lacks focus, student acceptance and participation;
- there is inconsistent allocation of staffing;
- the ratio of staff to students does not meet NJDOE guidelines;
- counselors are inundated with paperwork and recordkeeping;
- the program is directed primarily to behavioral or discipline problems such as absenteeism, disruptiveness, etc.; and
- services duplicate other school programs.

Impact: Programs with the above characteristics are ineffective and constitute an inappropriate use of tax dollars.

Implementation Guidelines/Parameters

The superintendent and key staff should regularly review the goals, objectives and methodology of providing guidance services for the various grade groupings (elementary, middle, high) to assure that they have focus and the resources needed to meet the current requirements of the student body.

ATHLETICS/EXTRACURRICULAR ACTIVITIES

The value and funding of athletic and extracurricular activities that are an important supplement to students' education must be weighed with full knowledge of all costs and of participation in relation to those costs.

What Works

A balanced, cost-effective program of both athletic and extracurricular activities is achieved when:

- there is full knowledge and accounting for all costs related to a program;
- the district has the ability to assess, use and account for, user-related fees and revenue; and
- district paid costs and personnel are proportional to student participation.

Impact: When programs are evaluated and funded in proportion to student participation and all costs are recognized, a district is best able to offer an appropriate array of other activities that will serve to enrich the majority of the students' educational experience.

What Doesn't Work

Money expended for athletic and extracurricular activities is misspent when:

- certain or even all athletic programs are considered untouchable in the budget without giving thought to the cost or the extent of student participation;
- there is a lack of accountability for revenues and fees received;
- the district hires an athletic trainer with no instructional responsibilities;
- overstaffing occurs; and
- decisions are made concerning programs without full knowledge of all related costs.

Impact: A lack of accountability for the costs and revenues and participation in athletic and extracurricular programs leads to waste and misdirection of precious tax dollars.

Implementation Guidelines/Parameters

It is the superintendent's, business administrator's and athletic director's responsibility to set up a mechanism for maintaining accountability for, and reviewing and recommending modification of, the array of athletic and extracurricular activities as part of the budget process. The board of education then must put aside its emotional preferences and make decisions based on the true costs and participation.

LIBRARY/MEDIA PROGRAMS

The district has an obligation to provide media programs and services which afford students access to the world of information to supplement, support and enhance classroom lessons and experiences.

What Works

Library/media centers are effective and invaluable in their support of education when they:

- are automated and access links to other resources such as US colleges and universities;
- link to and work in conjunction with local public library systems; and
- make appropriate use of professionals, paraprofessionals and volunteers to minimize staffing costs while assuring appropriate collection management and development and instruction of students.

Impact: Media centers that meet the criteria outlined above provide access to all available information and teach their students how to use the information tools available currently. When they accomplish this they are maximizing the value of the tax dollars spent.

What Doesn't Work

A library/media center does a disservice to both the district's students and the community as a whole when:

- it is not automated;
- its collection is not adequately maintained;
- it does not facilitate access to the other information resources within the community; and
- it has duplicated and overlapping staff.

Impact: A media center that does not maintain a current collection and does not use the latest technologies does a disservice to its students. Additionally, a school district that does not work closely with the public library is not effectively using taxpayers' money and is not teaching students how to access the variety of information available outside the school media center.

Implementation Guidelines/Parameters

Media center staff should be encouraged by the district administration to participate in the information sharing programs that are available to them. In addition, the media centers should be encouraged to work with a representative of the public library and/or college library to coordinate resources and enable all community libraries to best serve the students.

DRIVER EDUCATION

Driver education programs can be either simulation or behind the wheel instruction.

What Works

Districts conduct a cost effective driver education program when:

- students receive instruction by use of simulation equipment;

- behind the wheel instruction is provided through the adult school in which the full cost of the program is covered by the collection of user fees; and
- no district-owned or leased vehicle is used.

Impact: Although driving is a necessity, districts should seriously consider whether the cost of behind the wheel instruction should be borne by the taxpayer.

What Doesn't Work

Driver education programs drain district funds unnecessarily when the district:

- provides duplicative services through both simulation and behind the wheel programs;
- behind the wheel instruction is included in the basic educational program;
- provides neither simulation nor behind the wheel training;
- provides a different level of driver education between high schools; and
- uses district owned or leased vehicles for instruction.

Impact: These actions increase program costs and have an extremely negative impact on insurance costs.

Implementation Guidelines/Parameters

The school business administrator and the driver education instructor should work together to formulate a cost efficient and effective program.

BILINGUAL/ESL INSTRUCTION

What Works

Most districts reviewed had effective Bilingual/ESL programs that included:

- programs specifically designed to orient and support new students;
- peer programs to facilitate integration of non or limited English proficient students using support from their classmates;
- programs that used a tutorial concept where students in the upper grades interact with new students in the lower grades; and
- focusing on younger students to prevent problems as they reach higher grades.

Impact: The earlier the district is able to address the needs of Bilingual/ESL students, the sooner they are able to exit the program.

What Doesn't Work

Bilingual/ESL programs are ineffective and therefore costly when they fail to:

- provide a timely assessment of individual needs to assure early placement in an appropriate program;
- assess student progress to provide for a timely move out of the program;
- use all available human resources such as students from the upper grades to facilitate the transition of Bilingual/ESL students through the program; and

- identify potential problems of these students as they move on to higher grades.

Impact: The failure to provide a program that effectively moves students to a status where they can engage in English language communication as soon as possible is a drain on funds as well as a disservice to these students.

Implementation Guidelines/Parameters

The district superintendent along with district curriculum and Bilingual/ESL staff must cooperate in providing a program which will produce desired results in a timely manner.

BASIC SKILLS

Districts essentially work within NJDOE guidelines to upgrade student basic skills.

What Works

Basic skills programs provide vitally needed support to students when districts:

- provide adequate staffing to meet program/student needs;
- provide adequate instructional space for holding basic skills classes without overcrowding;
- provide an extended day pre-kindergarten and kindergarten program to assist identified students to help them prepare for the next grade level; and
- engages in early detection activities.

Impact: This early intervention when successfully implemented reduces the additional costs of future placement in special education classes.

What Doesn't Work

Basic skills programs don't work when they fail to:

- be adequately staffed;
- provide adequate space for program implementation;
- address overcrowded classes;
- provide early intervention activities; and
- explore other possible methods or programs to address the needs of their current and potential students.

Impact: Districts that fail to adequately address the basic skills needs of their students open the door for these students to have prolonged or possibly permanent problems which will draw excessively on educational program funds thus adversely affecting taxpayers.

Implementation Guidelines/Parameters

The district administration must carefully monitor whether or not its basic skills program is producing effective results. Adjustments, within NJDOE guidelines, to improve program effectiveness should be instituted in a timely manner.

INSTRUCTIONAL PROGRAM

Every school district is legally obligated to provide students with a thorough and efficient education. The vehicle for achieving this is the district's instructional program.

CLASS SIZE

The instructional setting is frequently influenced by the school's structure, both physical and organizational, the availability of space, the type and size of equipment, if needed and the programs being offered.

What Works

Class size optimizes instructional goals when:

- there are an adequate number of classrooms and staff to accommodate the needs of the student population;
- there is planning that maximizes the utilization of available facilities; and
- classes with very low enrollment are reviewed to determine their cost-effectiveness and to explore reconfiguration of the class as a means to improve enrollment.

Impact: Cost savings can be achieved when districts maximize available classroom space usage to provide programs geared to meeting students and staff needs.

What Doesn't Work

The instructional goals are lost when:

- overcrowding is permitted;
- classrooms are not fully utilized;
- planning for changes in student population and characteristics is not performed;
- classes with very low enrollment are permitted; and
- alternative methods of instruction are not pursued as a means to address overcrowding.

Impact: Inappropriate utilization of space and poor planning increase costs borne by taxpayers and diminish attainment of the instructional goals.

TEACHER/PUPIL RELATIONS

The effective educational interaction between teacher and pupil is usually the basis for a good learning environment. There are some very good teachers who are able to have rewarding classroom interactions in spite of the setting.

What Works

Teacher/pupil relations thrive in an environment where:

- classes are not overcrowded;
- teacher/pupil instructional contact time is at or above state averages;
- an adequate number of certificated staff are hired and allocated to keep pace with areas where the student population is experiencing significant growth or concentration; and
- aides are required to be certified teachers.

Impact: The result of these characteristics is a positive atmosphere in which both the teacher and the student can make the best use of and increase their talents and skills.

What Doesn't Work

Teacher/pupil relations deteriorate in an environment where:

- there is either an excessive or insufficient number of certificated teachers covering classes;
- classrooms are either under- or over-utilized;
- the district fails to adequately plan for the needs of the teacher or the student;
- there is a failure to seek cooperative ventures which would help to maximize teacher/pupil ratios and contact time;
- there are no specified requirements or qualifications for instructional aides;
- there is a lack of appropriate training for lay staff; and
- teacher/pupil contact time is less than state averages.

Impact: The existence of any of these circumstances causes a waste of both time and talents which in turn means wasted taxpayers' dollars.

SCHOOLS AND THEIR STRUCTURE

The organization and structure of the schools should provide a setting conducive to the conduct of the districts' educational programs. There is no specific rule that mandates what will be effective in every case, therefore, districts have to formulate the organizational structure that can be effectively fitted into the buildings and classrooms available presently or those planned for the future. To this end, many districts have developed or structured programs which may work for them but may not serve others as well. The organizational structures of schools visited included:

- Various grade configurations, such as:
 - K-3;
 - K-4;
 - K-5;
 - K-6;
 - 5-8;
 - 6-8;
 - K-8;
 - 9-12, etc.

- Comer Schools which integrate mental health programs, parental involvement and school climate improvement programs to foster human relationship development;
- family schools, a flexible educational program for students, parents and teachers which fosters a familial environment and addresses both health and social needs;
- professional development schools focusing on creating a lifelong learning community to facilitate higher levels of learning;
- a volunteer driven testing institute to assist students in preparing for regular classroom work as well as for taking mandated tests; and
- a medical arts high school which is an example of how the involvement, commitment and partnership between the educational team and the private sector, in this case the medical profession, students and parents can foster a meaningful and focused educational opportunity.

What Works

School configuration supports learning objectives when there is:

- adequate staffing of schools;
- no overcrowding of classes or facilities;
- adequate instructional space;
- no substandard space/facility;
- a periodic review and evaluation of district structure and programmatic goals; and
- a fostering of cooperative efforts in order to maximize space, program impact and program availability.

Impact: These characteristics support learning objectives in a cost effective manner.

What Doesn't Work

School configurations interfere with learning objectives when:

- staffing and/or program offerings are inadequate;
- classroom space/facilities are overcrowded or underutilized and substandard space issues are not addressed properly or in a timely manner;
- a district is generally unable to address long-standing problems including overcrowding and/or the aging/deterioration of facilities.

Impact: Districts must constantly be cognizant of the existing and changing needs of their student population and then determine how they can best be addressed within the framework of current or future requirements. The sooner problems are identified and addressed relative to school configurations and structures, the less costly it is to the taxpayer. Multiple alternatives must be considered in order to identify the most cost efficient solution.

Implementation Guidelines/Parameters

The superintendent, business administrator, key staff and the board of education need to institute and update annually a facility plan developed through a process that is closely tied to the development of curriculum.

SPECIAL EDUCATION

Every public school district has both a legal and a moral obligation to provide their students classified as having one or more disabilities with an educational program to meet their needs. These needs should be clearly defined in each student's individualized educational plan. Programs should be offered in the least restrictive environment and located close to the student's home whenever possible. It behooves a district to seek to service as many of its students as possible through programs within the district rather than resort to out of district placements. Special education guidelines have been promulgated by NJDOE. Additionally workshops, publications and updates are issued and program information and reviews help to ensure compliance with current regulations. The goal of these endeavors is to have an informed group of practitioners working towards assuring that every classified student has an educational program befitting his or her maximum skills or capabilities.

Several aspects of the special education programs were observed with a conscious effort being made not to replicate regular monitoring program activities, but to discern fiscal approaches which may or may not be working adequately.

What Works

School districts obtain the most appropriate education for classified students while moderating their costs by:

- returning special education students to appropriate programs in the district to the greatest extent possible and thus minimizing out-of-district placement;
- implementing innovative techniques to prevent the need for classification and segregation of students;
- filling special education classes with the optimum number of students, sometimes receiving out-of-district students to accomplish it;
- where a separate educational school is necessary, operating a special education campus maintaining strong financial controls with accurate revenue and cost information;
- developing a shared services relationship with a nonprofit organization;
- working with other districts in a consortium to meet special education placement needs;
- taking full advantage of the Medicaid reimbursement program; and
- having a small district in a rural section of the state with limited services provide special education services for the region.

Impact: Districts can maximize the value of their special education monies by employing any of these techniques.

What Doesn't Work

Large amounts of district monies are expended unnecessarily through lax management of special education services. Some examples found were:

- sending students out-of-district when there is space for them in-district;
- not filling extra student spaces in classes with out-of-district students;
- not seeking placement in nearby public schools first versus private schools;
- not charging enough tuition to cover all program-related costs to out-of-district students;
- not monitoring the number of students for which claims are being processed to verify that it is claiming its full share of Medicaid reimbursement;
- maintaining similar classes with the same age groups and classifications which could be combined without surpassing state class-size limitations;
- establishes a clearly defined role and assures that child study teams operate an efficient caseload; and
- classifying students without a sound educational basis.

Impact: These and similar practices place an unnecessary drain on special education funds negatively impacting the education of all students and causing the unnecessary expenditure of tax dollars.

Implementation Guidelines/Parameters

The superintendent and the special education section of the district have a shared responsibility for reaching out and developing methods to control unnecessary or excessive spending of special education monies while maintaining a high level of service.

ADULT EDUCATION

Many school districts, in an effort to fully serve the community, offer adult education programs. These programs provide local citizenry the opportunity to enhance their career, educational development, or personal development in a structured environment. To do this, courses are provided for earning a high school diploma, General Educational Development Test (GED), English as a Second Language (ESL), and other courses. The adult education program also offers the community the opportunity to have a closer alliance with district schools. Each district, as part of its program planning process must determine whether the cost for these program offerings are to be borne by the users or the taxpayers. Making such a determination should always be prudently approached keeping focused on what is most beneficial for all parties involved.

What Works

Adult education programs are cost effective additions to the community when:

- programs are offered in centralized location(s);
- courses are fee based and fees cover all costs related to the course;
- course offerings are frequently reviewed to assure optimum attendance; and

- the municipality and school district cooperate to maximize student access to the program.

Impact: Effective adult education programming can be a source of revenue while providing the community with a valuable resource.

What Doesn't Work

Adult education programs drain resources when:

- courses with low participation continue to be offered;
- there are too many course sites;
- the programs do not generate enough income to cover costs; and
- courses are offered at locations that are difficult for students to access.

Impact: Adult education programs can grow out of control and unnecessarily use educational resources.

Implementation Guidelines/Parameters

The district's director of adult education should work in concert with the school business administrator and the superintendent to ensure that the programs and courses offered are user supported and not a burden to the taxpayer.

ALTERNATIVE EDUCATION

Districts often provide continued educational programs to disaffected high school students who might not otherwise graduate.

What Works

The district has a successful alternative education program when it:

- does not interfere with the regular instructional program;
- supplements its program with other course offerings to give these students a viable option to the regular high school classes as opposed to being dropouts;
- has a high school class receiving other district's disaffected students on a tuition basis;
- feeds its students into a county-sponsored shared program housed at the district school; and
- provides adequate staffing and space.

Impact: Disaffected students are provided with an appropriate educational program and setting which does not take away from the regular program thereby reducing disturbances and disruption that would hinder students' progress.

What Doesn't Work

Alternative education programs can be more harmful than helpful when they fail to:

- provide a proper setting for working with its disaffected students;

- prevent the students from interfering with the regular educational program; and
- explore the placement of students in shared or existing out of district settings.

Impact: Districts failing to provide an educational alternative to students who might possibly drop out are probably paying more in terms of the impact of these individuals on a community without a structured, constructive way for them to spend their time.

Implementation Guidelines/Parameters

The educational team shares the responsibility to identify and properly place individual students who deserve to be in these programs. The administration can determine the most cost effective manner for implementing its own program or can identify other shared programs for student placement.

OTHER INSTRUCTIONAL PROGRAMS

Grant funding and community resources are best focused when the district knows its needs and resources.

In one community, students were able to earn college credits from college equivalent courses offered through the high school.

Education Improvement Plan monies, intended to enhance the educational experience of the students are instead used by a district for staff attendance incentives, overtime pay, extra pay for principals and teachers and jobs for parents and community members in an attempt at community reform.

Shared service opportunities are fully utilized in programming areas such as special and gifted education, bilingual/ESL programs and other areas such as purchasing, contracting, etc.

COORDINATING RESOURCES

SHARED RESOURCES

The smaller the entity, the more likely it will benefit from sharing resources within its community.

What Works

The entities that could benefit from pooling resources are:

- municipalities;
- schools;
- utilities;
- county agencies;
- authorities; and
- colleges.

Some of the areas that could benefit from shared services within communities include:

- business administration;
- payroll;
- purchasing;
- vehicle maintenance;
- building and grounds maintenance;
- cash management;
- MIS;
- snow removal;
- insurance;
- educational programs;
- vehicle fuel; and
- health benefits.

What Doesn't Work

Sharing resources is ineffective when there is:

- a lack of communication between entities;
- a turf war between entities over control issues; and
- an improper analysis of alternatives.

Implementation Guidelines/Parameters

Services suitable for sharing with another entity can be identified by a committee made up of representatives from each potential participant.

REGIONALIZATION

Both small and large, stable and growing school districts can benefit from the reallocation of fixed costs and the lowered per unit cost that often result from the joining of local government entities to provide a service.

What Works

Regionalizing service delivery can take many forms. It can be accomplished by joining with a neighboring community, participating in a county wide initiative or cooperating with a series of communities that may even be spread out but must address the same issue.

Current examples of regionalization include:

- regional high schools;
- regional K-8;
- county vocational/technical schools;
- county special school districts and educational service commissions;
- regional ESL/bilingual;
- regional alternative education programs;
- regional special education; and
- county magnet schools for science, arts, etc.

Impact: Coordination of services assures that potential beneficiaries don't get lost between jurisdictions, the fixed costs per unit are reduced, an efficiency of scale is achieved, and the variety and quality of services are increased.

What Doesn't Work

Many of the programs listed above are either not available, delivered locally at a high cost, or are provided by sending students out-of-district at high tuition rates.

Implementation Guidelines/Parameters

The school business administrator and the school board can begin to identify services available in the region and begin to work with those districts to optimize the dollars expended. The first implementation of a regional effort can take a significant amount of time based on the need to negotiate the exact services involved and the cost of those services.

VOLUNTEERS/COMMUNITY SUPPORT

The involvement of the public in fund raising or volunteering to support a school program is beneficial in terms of both cost savings and the positive impact of having voters/taxpayers/residents involved in their schools.

What Works

Volunteers are successfully used for:

- library services;
- classroom support;
- school lunch programs;
- athletics; and
- extracurricular activities.

Fund raising or solicitation of donations is appropriate in a school district for those programs that are not used by the general public or to fund a higher level of service than the tax base would normally allow. Some examples include:

- sports programs;
- extracurricular activities;
- library services;
- playgrounds; and
- computer labs.

Impact: The results of volunteer and fund raising efforts are the provision of increased services to the students for less tax dollars and the creation of a feeling of commitment in the individuals who are participating in the effort.

What Doesn't Work

There are a few potential pitfalls in volunteer and fund raising programs. They are:

- lack of adequate and appropriate public access to financial records;
- misuse of funds;
- an administration that is mistrusting or unsupportive of volunteers;
- volunteers who are unresponsive to the community's needs identified by the administration; and
- volunteers who focus on their own interests rather than on the interests of the community.

Implementation Guidelines/Parameters

An active and responsive volunteer contingent is dependent on having an individual available to guide them and provide them with the support they need. The administrator should direct staff to identify ways to use volunteer personnel or independent fund raising. In addition, a school district would do well to begin to identify and recognize the volunteers that are already active in the community.

LABOR, COMPENSATION AND PERSONNEL PRACTICES

Salaries and wages for both uniformed and other municipal employees account for more than 60% (A *Taxpayer's Guide for Identifying Cost Drivers in Municipal and School District Budgets*, p.7-8) of municipal budgets in review communities. Wages in those communities increased at a rate of 6.64% for uniformed services and 5.13% for other services when the cost of living was increasing by 3.5%. These facts mean that a government intent on conserving property tax dollars and maximizing the efficiency of property tax expenditures must manage compensation with full knowledge of the cost of compensation related decisions.

MANAGEMENT OF COMPENSABLE TIME

Taxpayers have a right and public officials have an obligation to assure that public employees work a reasonable amount of time for their salaries and are available to the public to facilitate municipal interaction with its constituents.

What Works

Working an appropriate number of hours and being available to the public translates practically into having:

- reasonable time allocations for sick, vacation, and personal; the norms observed are 15 sick; beginning with ten vacation days increasing in five year increments by five days; and three personal days;
- explicitly delineated and enforced sick policies which include a definition of abuse of sick leave and which outline progressive discipline;
- no carryover of personal time and limited carryover of vacation time;
- vacation time that is scheduled to prevent overtime;
- leave policies that are generally consistent across departments;
- all full-time employees working 35-40 hour weeks and a municipal ordinance stating annual hours to be worked is between 1820 and 2080;
- lunch hours that are limited, defined, consistent and managed in a way that maximizes office coverage;
- overtime that is documented, approved in advance and only triggered under extraordinary circumstances; and
- appropriate supervision of personnel and work schedules.

Impact: Reasonable leave benefits, appropriate oversight and management of time and work hours equivalent to the observable norm, enable municipalities to assure the most efficient use of personnel and thus staff municipal operations conservatively. This saves significant taxpayer dollars.

What Doesn't Work

A laxness in oversight of compensated time is common and costly to taxpayers and is seen in these practices:

- computing leave time in days rather than hours is especially costly when less traditional schedules are worked such as those that involve 10, 12, or 24 hour shifts;
- excessive sick leave use;
- carryover of personal or holiday days;
- liberal vacation accrual policies;
- situations where employees could use more than their annual allotment of sick leave, be paid, and not draw down from accumulated sick leave;
- informal mechanisms used to reduce work hours for certain employees to those of a different title or department. This is seen frequently between office and patrol staff in police departments and can be called “adjust” time;
- inadequate recordkeeping in which time sheets are not detailed and consistently maintained to reflect time off;
- the municipal building is closed to the public so that employees can do their work without interruption from the public;
- employees are given reduced summer work hours;
- there are unnecessary evening shifts for off-hour coverage;
- employees work 28, 30, and 32 hour work weeks;
- there is structured overtime instead of staggered work week schedules; and
- public works employees are allowed to go home when their work is finished, thereby working less than 35 hours and yet still collecting overtime for weekend hours.

Impact: The formulation of overgenerous leave packages, lax documentation of leave, and work hours less than what is considered normal result in higher staffing levels and less availability to the public. The impacts are magnified because personnel is one of the most difficult costs to manage since benefit and salary costs normally increase every year and once a position is created it is very difficult to abolish it.

Implementation Guidelines/Parameters

Leave benefits and work hours are frequently governed by collective bargaining agreements and are therefore issues that should be studied by the administrator for inclusion in the next contract negotiation. Policies and documentation of leave can be examined, formulated and implemented by the administration immediately to the extent that they do not conflict with labor contract provisions.

“INVISIBLE” COMPENSATION ISSUES

Salaries, in the scheme of things, are just the tip of the compensation iceberg. Over the years many mechanisms have been implemented that inflate salaries. Most of these mechanisms are not properly documented, are inconsistent across municipalities and provide compensation disproportionate to the actual value of the position.

What Works

Compensation is appropriate when it:

- is based on a regularly updated salary survey;
- reflects the level of expertise and knowledge required;
- does not allow overtime or compensatory time for management level employees; and
- is not subject to the whims of political powers.

What Doesn't Work

Every municipality visited, no matter how conservatively and well managed, had issues related to “invisible” compensation. Some of the examples found are:

- tool, uniform purchase and maintenance and equipment allowance are not tied directly to receipted costs and/or are duplicative of municipal provisions;
- longevity exists, is paid as a percentage of the salary and/or is rolled into the salary;
- education incentives are paid for education levels that should be required for the job, are annual percentages and/or are rolled into the base salary;
- stipends are paid for duties that should be considered part of the job (overtime administration) or enrichments (K-9, bike);
- stipends are paid for board or commission work which can be considered part of the duties for example paying extra salary to the township engineer for working with the planning and zoning boards;
- overtime is paid for on-call time even though the individual has a beeper and is free to come and go;
- time is calculated in days rather than hours. This is especially costly where there are nontraditional schedules calling for 10, 12, or 24 hour work days;
- shift differentials are paid whether a shift other than a traditional day shift is worked or not and even though all department employees work all shifts;
- employees receive severance pay above payment for accumulated sick and vacation time;
- employees receive lump sum holiday pay, as well as compensatory time and pay for holidays worked;
- employees receive sick leave payouts that are greater than the norm of 50% of accrued time up to a maximum of \$15,000. In many cases the payout was unlimited;
- employees receive terminal leave or terminal pay based on longevity; and
- the combination of steps, cost of living adjustments (COLAs) and longevity bring contract pay raises to rates three and four times the increase in the cost of living.

Impact: The impact of the typical maze of ad hoc compensation enhancements is an overall unmanageability of salaries and wages and inequitable compensation practices. The typically invisible nature of most of these costs makes it difficult for administrators to exert control over them. These practices are the product of historically poor, possibly inattentive management of contracts by administrators and elected officials and/or generous arbitration awards.

Implementation Guidelines/Parameters

Almost all of these issues reflect labor contract provisions, therefore, they can only be addressed the next time the contract is renegotiated. In preparation for this, the

administration can conduct salary surveys and research comparable community contracts to lay the foundation for developing a rational system of compensation.

ORGANIZATION

How a municipal entity is organized has a great deal to do with its efficiency and the ability to successfully implement systems and procedures which in turn radically impact the costs of operation.

What Works

An organization that routinely reviews the environment and adapts the organization to changes in it, is efficient and responsive and has:

- a codified table of organization that reflects current staffing;
- units that reflect a rational span of control;
- functions performed by employees at appropriate pay and skill levels;
- a clear chain of command;
- a separation of duties as appropriate; and
- a rational relationship in the organization between functions that need to be supportive of each other.

Impact: An organization with these characteristics is one that both makes the most efficient use of personnel and produces rational outcomes. It is also an organization that provides for appropriate accountability to the public and can change rationally in response to changes in its service or product delivery environment.

What Doesn't Work

The generalized issue related to organization in a municipality is its static nature as reflected in an inability or failure to change in response to changes in its environment. The symptoms of this situation include:

- the absence of a table of organization depicting the chain of command;
- an organizational structure in conflict with municipal ordinances;
- the creation of separate authorities for parking, water, sewer, etc., when creation of a utility or department would lessen duplication of management and administration and provide for greater municipal control and accountability;
- fragmented functions that make it costly, inconvenient and even frustrating for the public to comply with municipal regulations;
- fragmented functions that inhibit appropriate supervision and accountability;
- inappropriate span of control including one to one supervision;
- the lack of cross-training to allow flexibility in dealing with workload variations;
- maintaining the previous level of staffing when a significant service is contracted out;
- inappropriate staffing in relation to workload;
- weak management by supervisors;

- uniformed personnel performing clerical, dispatch and other functions not requiring such level of training and compensation; and
- early retirements were used to reduce staff without the concurrent reduction in supervisory and management positions to mirror the reduction in ranks.

Impact: Each of these situations inflates the cost and impairs the effectiveness and accountability of the municipal operation.

Implementation Guidelines/Parameters

The administrator and key staff and decision makers can begin to formulate the changes departments and divisions require to be reflective of the current environment. As positions open, and in accordance with civil service, labor laws and labor contracts, the municipality can work toward that ideal organization. Additionally, as part of the annual budget process, the codified table of organization should be reviewed and the organization of individual units adapted to changes in the services provided and the means of providing those services.

RECRUITMENT, HIRING AND PERSONNEL ADMINISTRATION

Basic to the job performed by local government is hiring individuals who are qualified and will pursue the public good without conflict.

What Works

A system of hiring and developing employees and establishing a rational organizational structure is fundamental to an objective and responsive municipal organization and includes:

- hiring based on filling an established and well controlled table of organization;
- an appropriate recruitment plan that complies with Equal Employment Opportunity (EEO), civil service and other regulations is in place and followed;
- explicit written policies that are followed and reviewed regularly for revision;
- hiring personnel that match thoughtfully formulated qualifications for the position;
- elected officials defer to the professional administration for recruiting, hiring and managing personnel; and
- the hiring process is centralized under administration.

Impact: An organization developed based on an objective, well articulated set of policies and procedures and in which elected officials defer to the professional administration for supervision of staff will be efficient in accomplishing municipal objectives and will be responsive to the taxpayers.

What Doesn't Work

Some of the greatest excess costs can be found in the way a municipality recruits and staffs its organization. Some of the costly practices identified include having:

- no approved table of organization delineating positions and chain of command;

- an organizational structure in conflict with the municipal code and policies and procedures;
- an organization so large, it appears to be an employment service for the community, for example, one that has nearly one employee for every 22 citizens;
- personnel files that are incomplete, lacking disciplinary records and information required by statute;
- no job descriptions;
- hiring on a basis of who you know or who you owe (nepotism, patronage, etc.) and other non-job related criteria;
- seasonal employees who collect unemployment unopposed;
- payroll issued once per week rather than the bimonthly norm; and
- no personnel evaluation form or procedures.

Impact: An organization experiencing even a few of these pitfalls, will be unresponsive to the public, inefficient and in many cases subject to lawsuits which result in settlements against the municipality.

Implementation Guidelines/Parameters

Personnel policies and procedures, written job descriptions and performance evaluations all need to be developed as soon as feasible. There may be aspects of the policies that require review, approval or negotiation in or out of the contract and these aspects of the policies and procedures may take longer. The administrator and supervisory staff should collaborate on the development of a policies and procedures manual which reflects the individual needs of the community.

EMPLOYEE HEALTH BENEFITS

As the cost of health benefits increase exponentially, it is in the interest of the taxpayer that municipalities assure that the program is well run, and allows the entity to exercise options to maintain reasonable costs.

What Works

Many municipalities have contained the cost of health benefits while assuring appropriate coverage by:

- requiring a copay;
- establishing a benchmark level of service and requiring payment of expenses beyond that level of service;
- assuring that the program includes the less costly HMO and PPO alternatives;
- covering only those employees who work full time and have no alternate coverage;
- reducing duplication of coverage;
- participating in a Health Insurance Fund (HIF) or self insurance; and
- competitively bidding coverage.

Impact: The cost of health benefits is a significant factor in the cost of public employees and contributes to the pressure on staffing of local government services. A rational and appropriate health benefits plan is integral to maintaining the ability to staff services appropriately.

What Doesn't Work

With a long history of providing health benefits before the costs skyrocketed, local governments have fallen victim to a carelessness that is exhibited in the following ways:

- contractors, council members and contract professionals receive benefits;
- employees have duplicated coverage;
- health insurance costs are not fully charged to grants, separate operating authorities, etc.;
- coverage is continued long after termination of employment;
- group is so small they could not possibly get a cost efficient price;
- ineligible retirees receive health insurance;
- labor contracts require the municipality to pay prescription costs prior to assuring eligibility and reimbursement to the municipality;
- there are no copays; and
- there is little variety in the service offered.

Impact: Controlling health benefit costs has been difficult in the past and is particularly important because it is a cost that frequently isn't identified with a person or a service but rather as a separate budgetary item. This situation multiplies the impact of the large cost growth rates of this benefit. Additionally, providing benefits to part-time individuals creates inequity in compensation, as these benefits often amount to a sum close to, or greater than, the individual's actual salary.

Implementation Guidelines/Parameters

This issue is frequently governed by contracts, past practices and existing contracts for health insurance. It is advisable that the administrator review the policies and practices and develop a plan for improving the cost efficiency of the health benefits program. Based on that plan and with the support of the governing body, labor contract provisions need to be negotiated. In addition, the contract for provision of the benefit can be reviewed with the objective of bidding the service the next time the contract is due for renewal.

CASH MANAGEMENT/INVESTING

SELECTING DEPOSITORIES

New Jersey State statutes require that local governing bodies adopt one or more resolutions designating the official depositories of the municipality each year. Sound public policy dictates that public funds be managed optimally. To accomplish this a municipality must consider the cost of banking services and the interest income that can be obtained prior to selecting the official depositories for the municipality.

The designation of the depositories usually occurs at the governing body's reorganization meeting. Given the volume of work and the decisions made prior to and at the reorganization meeting, this decision often does not get the attention it deserves. When this decision is carefully approached, however, the outcome is financially beneficial to the community.

What Works

Municipalities realize optimum interest income when they select:

- depositories based on a cost analysis of written responses to an RFP for banking services which emphasizes balancing costs, level and quality of service and interest income;
- more than one financial institution and make agreements nonbinding for the full year;
- providers for specialized banking services that have a proven ability to offer accurate and timely accounting of specialized deposit accounts and other quasi-public accounts;
- depositories that utilize sweep accounts and similarly conservative mechanisms to enhance the public's income; and/or
- providers that offer electronic transfers and on-line account information.

Impact: Taken together these actions produce a flexible relationship with financial institutions that enables the municipality to maximize its income thereby increasing other revenues and decreasing reliance on property taxes.

What Doesn't Work

Interest income is lost and productivity is hampered -- in many cases seriously -- when municipalities:

- dust off last year's resolution and adopt it again without review;
- tie the selection of the official depository to political considerations;
- limit pool of eligible respondents by using irrelevant criteria such as the convenience of the staff or geographic proximity to city hall; and/or
- fail to designate an official depository.

Impact: A passive noncompetitive approach to identifying banking needs and selecting a financial institution that will meet those needs in the most beneficial manner can result in

loss of interest income, high service costs, public distrust and dissatisfaction, and incomplete or inaccurate records.

Implementation Guidelines/Parameters

The chief financial officer (CFO), with the approval of the administrator, should do the detail work involved in developing an RFP and identifying a pool of eligible vendors. Once proposals are received, an administration committee should review the proposals for responsiveness and cost/income comparison and make a recommendation for approval by council.

If there is a resolution in place designating a depository institution for the current year, changes can be implemented for the succeeding calendar year. If there is no agreement or the agreement is not binding for the entire year changes can be pursued immediately.

CASH FLOW MANAGEMENT

Municipalities are responsible for the collection and expenditure of large amounts of money. Careful, proactive management of cash flow and investment will ensure appropriate accountability and maximum interest income which, in turn, partially offsets the need for property tax revenue.

What Works

An effective cash management program includes:

- limiting the number and types of accounts;
- managing revenue, investments and expenditure flows to optimize investment balances;
- investing funds in interest bearing instruments that are yielding the highest possible rate;
- adopting a carefully formulated cash management plan every year;
- reconciling all accounts appropriately; and
- turning balances over to the general fund as appropriate.

Impact: When cash management programs incorporate each of these components the result is a sound foundation upon which all of the financial operations can be built. Consolidation of accounts creates leverage for a municipality to use when negotiating banking costs and services and investing aggressively, yet safely, will improve interest revenues and thus save on property taxes.

What Doesn't Work

Haphazard and/or incomplete cash management programs were more the rule than the exception in the municipalities reviewed to date. Some of the practices identified that were costing municipalities valuable investment dollars were:

- having numerous bank accounts -- including more than one for the same purpose;

- having significant amounts of tax dollars in accounts that earned no interest or interest below market rates;
- failing to receive, monitor and reconcile monthly bank statements;
- having more than one person involved in managing cash flow and investment accounts;
- not maintaining daily cash flow records and thus not investing monies as aggressively as possible;
- not turning over income that was eligible for transfer to the general fund;
- not using a variety of instruments to assure the highest possible level of interest income;
- not having an investment policy;
- not having written agreements with banks detailing costs; and
- not having accessed the RFP process in several years, if ever.

Impact: When a municipality is not aware of the characteristics of its cash flow it is more likely to require more money to begin with, lose income, and lose accountability and control. When this occurs at this basic level of municipal financial management, the impact is magnified as the money is disbursed throughout the municipal operation.

Implementation Guidelines/Parameters

The ability to begin to address the issues identified above are only limited by the constraints of particular investment instruments and agreements with banks. The chief financial officer should begin undertaking the improvements immediately with the approval of the administrator.

BUDGETING AND EXPENDITURE CONTROL

The budgets of municipalities reviewed ranged in size from less than \$900,000 to more than \$135 million. The municipal administration serves as the caretaker and guardian of those funds. As such, municipal administrators have a responsibility for assuring that expenditures are carefully and appropriately planned and controlled.

BUDGETING

Thorough, accurate budgeting which takes into account future impacts and past decisions can be effective in maintaining a stable tax rate.

What Works

Municipal budgeting is an effective tool for assuring efficient use of tax dollars when the budget:

- accurately matches revenues and expenditures;
- uses one time revenues for one time costs;
- bases the reserve for uncollected taxes on a projected collection rate that accurately reflects collection rate trends;
- enables managers to trace all costs back to the product;
- includes accurate estimates of expenses; and
- projects the budgetary impact of major program or financing decisions.

Impact: When a budget is prepared in accordance with the above parameters, property tax rate changes are minimized, there is accountability for the cost of services and the fiscal year ends with no surprises -- in the form of either an excessive fund balance increase, or an unplanned decrease in the fund balance.

What Doesn't Work

Fairly significant public tax dollars are used inefficiently when the following practices occur:

- allowing the fund balance to increase significantly and sometimes unexpectedly while raising taxes;
- consistently and considerably overestimating expenses;
- relying on a lump sum amount in the operating budget for capital expenses in a continual pay-as-you-go approach;
- using debt to pay for operating expenses in the case of Fiscal Year Adjustment Bond (FYAB) communities;
- allowing independent agencies that rely on fees charged to taxpayers or municipal contributions to budget in a manner that obscures accountability;
- consistently and considerably underestimating or not even including nontax revenues;
- consistently and considerably underestimating the tax collection rate; and
- relying on an auditor to perform functions that should be controlled in-house.

Impact: The practices outlined above are most commonly found in communities that are still experiencing significant growth in their tax bases and the result is the collection of considerably greater taxes than are required to fund the budget for a given year.

Implementation Guidelines/Parameters

All of the issues related to budgeting practices can be examined immediately by the CFO and/or administrator. Most useful to developing an effective budget is a consolidated automated financial package that can generate historical data for expenditures, revenues, tax collection, etc. The actual impact of improvements can be incorporated in the next budget.

BUDGET CONTROL

Because local government is funded with public tax dollars, local officials are accountable for each dollar that is expended. It is therefore imperative that mechanisms be in place to assure control of expenditures in compliance with an established budget.

What Works

Effective budget control is the product of an integrated automated financial system, and consistent and rational policies which assure expenditures in compliance with a budget that is based on input from the individuals operating within the budget. Examples of effective budget control practices include:

- a specific procedure for appropriate approval of expenditures;
- routinely providing information to managers to enable them to track and monitor expenditures;
- preparing the budget with input from those who are implementing the budget; and
- having procedures for assuring that expenditures are monitored against the budget.

Impact: The result of a well formulated and controlled budget is a reduction in duplicated or excessive expenditures, as well as the operation of a municipal government in a way that reflects policies established by the governing body which in turn reflect the desires of, and are responsive to, the public.

What Doesn't Work

Frequently the absence of a full time CFO or just the small size of a town can result in an ad hoc approach to budget control. Some of the inappropriate practices observed include:

- an accounting system that does not delineate expenses against the adopted budget;
- incomplete review procedures, such as when the council only reviews general fund expenditures for approval;
- not giving managers the information (such as monthly expenditure reports) needed to monitor their operation's budget;
- having no separation of duties and chain of command for checks and balances on expenditures;

- using catch-all line items such as “other expenses;”
- introducing resolutions for expenditures without certification of the availability of funds;
- not centralizing grant budget expenditures;
- not routinely pursuing grant receivables;
- incorrect charging of expenses against line items;
- commingling of revenues from distinct sources;
- no separation of duties related to off-budget accounts such as builders’ escrow accounts;
- not tracking such itinerant payroll expenses as part-time salaries and overtime to assure compliance with the budget; and
- inadequate review and oversight of departmental expenditures.

Impact: The most common impact of a poorly controlled budget is overexpenditure and/or misuse of public funds.

Implementation Guidelines/Parameters

The CFO in conjunction with the administrator can immediately begin to establish procedures for appropriate budget control. As with budget development, one of the most useful tools available is an automated integrated financial package.

PURCHASING

It is imperative that local governments purchase goods and services in a manner that is free from the influence of special interests and in a manner that results in the best price.

What Works

Effective purchasing programs include:

- participating in a regional cooperative, especially for bulk items such as fuel and paper supplies;
- implementing a virtually paperless purchasing system which allows electronic checkoff and automatically generates a purchase order when all the signatures are received;
- having a thoroughly delineated, written purchasing policy which is consistently followed and enforced; and
- a purchasing staff that sees its role as facilitator of the process and is customer oriented.

Impact: A purchasing process that is automated, takes advantage of the community’s buying power, is as streamlined as possible while including checks and balances, and assuring certification of funds, assures accountability and the most efficient use of funds.

What Doesn't Work

Purchasing programs result in waste and a lack of accountability when the following occurs:

- purchasing is not coordinated to maximize the benefits of the municipality's buying power;
- system records are not maintained in a manner to assure that bid limits are not exceeded;
- repetitive purchases are made by different departments from multiple vendors;
- purchasing processes and procedures are inconsistent;
- finance staff does not analyze, understand or plan for the pattern of purchases by departments;
- there is no inventory maintained to avoid duplicated purchases and overstocking of items;
- there is no automation to facilitate the coordinated purchase of materials and services;
- the purchasing department uses its role to interfere with managerial decisions;
- governing body purchases bypass the approval process;
- the community's purchasing power is not maximized by pooling the interests of the school district, the utility, and the municipality;
- there are excessive numbers of "after the fact" purchases;
- there are no procedures requiring approval of purchases and certification of funds;
- there is no encumbrance system, despite state statute requirements;
- contracts for extraordinary, unspecifiable purchases are liberally awarded without careful review or rationale and sometimes with no expenditure limit or explicit statement of rate and maximum amount;
- open purchase orders are authorized without limit on amount or duration;
- open purchase orders are not used logically or as the result of competitive pricing;
- contracts are entered into for more than the available budget amount;
- the copier vending contract is not bid and does not provide for adequate documentation of receipts;
- there are open accounts which require no purchase orders;
- there is no policy or procedure for documentation and reimbursement of expenses;
- payments are made even when the paperwork is incomplete; and
- purchasing causes undue time lags by sending a purchase order back instead of calling the department and working with them to resolve the issue quickly.

Impact: The impact of a fragmented, out-of-control purchasing system is budget deficits, theft and waste.

Implementation Guidelines\Parameters

It is incumbent upon the administrator to immediately ascertain that the municipality is operating within the confines of state purchasing regulations and the municipal code. In addition, it is appropriate for the administrator, purchasing agent and department heads to review purchasing procedures on a regular basis to assure that they are clear, streamlined and being followed. If no written procedures exist, the purchasing agent, administrator

and staff need to develop policies and procedures and have them approved by council and implemented by staff.

FEES/PUBLIC SUBSIDY OF OPTIONAL PROGRAMS

When a service benefits only a portion of the tax paying population it is appropriate for the local government to levy a fee if it so chooses. It is appropriate for the local governing body to decide to what extent a program should be subsidized and have the fees based on this subsidy with recognition of the full costs of the service.

What Works

Local officials are fulfilling their responsibility to fairly evaluate and determine to what extent the property tax is going to subsidize a program when:

- all fees are reviewed on an annual basis and assessed on the basis of current costs and statutory allowances;
- late fees are charged to compensate for paperwork involved in sending out late notices;
- penalty fees are established as appropriate to deter costly behavior, i.e. penalties for false alarms;
- fines and fees for municipal offenses are reviewed regularly for comparability with similar local agencies, cost coverage and deterrent effect;
- fees are recognized in the budget and turned over to the general fund; and
- there is a resolution from council setting parameters for subsidy of various limited interest programs.

What Doesn't Work

Fees tend to get lost in the paperwork of the clerk's office or the building code office and are not considered important to the operations of a local government. Fees also provide a focus of political heat because they are often considered to be a means of taxing the people again. When fees are established, all of the costs of a program, including administrative overhead and health benefits, are typically not considered. When this occurs, and it occurs singularly or together in most communities, the result is the following types of situations:

- fees for recreational facilities used mostly by nonresidents cover less than 50% of the operational costs;
- municipal pool operation fees do not cover costs;
- the public subsidizes 72% of an extensive health services program in one community;
- municipal offense fines and fees had not been updated or reviewed recently;
- fees do not reflect the norms of the region;
- fees are charged but not aggressively collected;
- late fees are not collected for late license renewals;

- business license fees are based on a subjective estimate of the value of a good or service rather than the cost of administering the service;
- licenses are issued and fees are charged when there is no public benefit from municipal involvement and the fees collected do not cover the cost of issuing the licenses; and
- revenues are not maximized when a valuable program that generates substantial fees is not marketed properly.

Impact: The impact of the lack of attention and review of fees and their relation to the actual cost of a program is loss of revenue, an increase in the tax burden and inequitable distribution of the cost of services to the taxpayer.

Implementation Guidelines/Parameters

The administrator, chief financial officer and specific department heads can begin to identify direct costs related to services provided to individuals. The administrator can immediately pursue the adoption of resolutions establishing policies related to all types of fees. Once those steps have been taken, it is a matter of developing new fee schedules which then must be approved by the council.

MANAGEMENT INFORMATION SYSTEMS (MIS)

The task of administering a local government can be streamlined today with the appropriate use of the latest technology. Though costly at first, if implemented properly, the long term result is a local government that is held accountable and is run efficiently.

What Works

Municipalities that have successfully used technology to enhance the quality of government and services have:

- a system that takes into account the specific needs of the community and provides the evaluative information to support policies and procedures;
- an integrated coordinated system that was developed based on a five-year plan that is reviewed and updated annually;
- a central point of contact for the coordination of technological changes and improvements;
- the training and support services needed to assure that each staff member is comfortable with, and knowledgeable of, the system;
- the system provides access between related departments/functions; and
- the system provides appropriate access to outside sources at the state and national level.

Impact: The result of having a well-formulated, integrated state-of-the-art system of technology is a municipal organization that is more efficient and has easy access to the information that allows the leaders to make informed decisions.

What Doesn't Work

The implementation of technology in local government frequently provides an example of ad hoc decision making at its worst. Because of financial pressures and short-term thinking, it was fairly common to find:

- no automation;
- inadequate equipment;
- equipment and software but staff did not know how to use it;
- equipment and software that required hand processing and then reentry into the system;
- no ability for the various systems to communicate with each other;
- a wide variety of hardware and software purchased based on individual preferences instead of a master technology plan;
- no technological support;
- no disaster, security or backup policy and process; and
- no cohesive management information plan.

Impact: Just as the degree of success varies, the impact of poor use of technology varies. Probably the most costly system is one where there is too much variety and no coordination. The result is an appearance of the availability of information and yet the

information is more likely to be inaccurate or misleading if it is entered by various people into various systems with no checks and balances or coordinated effort. In addition, the work is duplicated manually or on another system.

Implementation Guidelines/Parameters

Each municipality had a different level of success using technology to perform its functions. No matter what degree of success a municipality currently has, it is advisable to immediately establish a technology committee that is charged with reviewing existing uses of technology and developing a five-year plan for the implementation of technology within the organization. The committee should include staff representing all levels and departments, members of council, and members of the public. Once a plan is in place, the plan should be revised and updated annually. If not already in place, the administrator should designate an individual responsible for oversight of the purchase of hardware and software who would also serve as staff support to the technology committee. This does not have to be a new employee. Often, especially at the beginning stage or in smaller jurisdictions, the person is a member of the purchasing or finance staff. Finally, adequate and appropriate capital budgeting should support the plan.

REVENUE COLLECTION

TAX COLLECTION

Because of the impact of noncollection of school and county taxes which normally account for two-thirds or more of all property taxes collected, each 1% of taxes not collected has a significant impact on the reserve for uncollected taxes, which in turn has an impact on the municipal tax rate. The average collection rate for the State of New Jersey is 95%. Any municipality whose rate falls below that needs to make improved collections a priority.

What Works

Effective tax collection is facilitated by:

- a coordinated, flexible staff effort;
- well trained, pleasant, customer-oriented staff;
- an action plan for contacting and maintaining pressure on delinquent taxpayers; and
- an automated tax information and processing system.

Impact: If the tax collection rate is 95% and above then the collection effort is in line with the state average.

What Doesn't Work

Tax collection rates fall well below the average, costing significant municipal tax dollars when there is:

- a fragmented staff organization;
- a staff that is not well trained;
- no automation;
- no plan for collecting late tax payments; and
- no adherence to the plan for collecting late tax payments.

Impact: The impact of a poor tax collection rate is a higher reserve for uncollected taxes and therefore a higher tax rate.

Implementation Guidelines/Parameters

All actions can be implemented by the tax collection staff with oversight by the CFO and administrator. Political pressure can ensue if collection efforts are undertaken without some sensitivity to the public.

DELINQUENT TAX COLLECTION

What Works

A successful delinquent tax collection effort includes:

- sending out delinquent tax notices on a quarterly basis;

- timely tax lien sales;
- holding bulk lien or private lien sales as warranted;
- timely initiation of foreclosure proceedings; and
- having a policy statement approved by council prioritizing the management of delinquencies.

Impact: A methodical, timely and consistent delinquent tax collection process can improve the current collection rate and enable the municipality to minimize receivables and project delinquent collections accurately.

What Doesn't Work

Delinquent tax collections often get lost in the tax collection process and the result is:

- an inability to identify and track delinquent taxes;
- not sending out delinquent tax notices on a quarterly basis;
- holding tax lien sales later in the year than necessary;
- a failure to hold a tax lien sale; and
- a failure to initiate foreclosure proceedings.

Impact: A haphazard approach to the collection of delinquent taxes prevents a municipality from accessing revenues due them. The impact is multiplied by the fact that if taxpayers believe they will be delinquent on their taxes with impunity they will be less likely to pay their current taxes as well.

Implementation Guidelines/Parameters

The tax collector, in conjunction with the CFO and the administrator, can direct an effort to more aggressively and systematically pursue delinquent taxes. Policy support by the council will be useful in preventing political resistance.

WATER AND SEWER BILLING

What Works

A successful, cost effective water and/or sewer utility billing process is one that:

- has rates based on all costs;
- is billed quarterly -- with 1/3 of the bills in the first month of the quarter, 1/3 in the second month and 1/3 in the third month;
- has meters read regularly;
- includes the recording of meter readings on an automated pad;
- includes prompt follow up on delinquent payments; and
- works with the tax collection department in placing and processing liens for delinquencies.

Impact: The impact of these practices is maximization of revenue collection and both stabilization and minimization of rates.

What Doesn't Work

Sewer/water utilities fail to optimize revenues and assure equity in charging for service when the process includes these practices:

- reading meters and billing once per year;
- hand entering meter readings and then entering them into the computer, increasing the opportunity for error and duplicating efforts;
- underbilling in relation to cost of service;
- the executive director waives bills without any documentation or paperwork;
- cost of service is not accurately calculated because it does not include fringe costs and indirect costs;
- making no effort to collect past due accounts; and
- not placing liens on properties with delinquent sewer and water bills.

Impact: The utility is likely to either run in deficit or charge higher rates without proper calculation of expenses and without an aggressive procedure for collecting current and delinquent payments. In addition, a lag in collection of payments causes a reduction in interest income.

Implementation Guidelines/Parameters

The executive director of the utility can immediately begin to examine the organization's processes and procedures and revise them to assure accuracy of the rate calculation and timely and forceful pursuit of past due payments.

MISCELLANEOUS REVENUE COLLECTIONS

Municipalities are responsible for the collection of miscellaneous revenues which in some situations can amount to significant dollars. Diligent collection of these revenues is necessary for the appropriate funding of certain operations and for the accurate estimation of revenues for budget purposes.

What Works

A thorough and consistent collection policy is appropriate for all revenues collected by a municipality. Such a policy would include:

- automatic notification of payment past due;
- systematized and timely implementation of repercussions for past due payments; and
- consistent application of pressure for payments to all entities.

Impact: The direct impact is a reduction or stabilization of fees or taxes depending on the exact nature of the revenue. In addition, equity is preserved by the consistent enforcement of collections.

What Doesn't Work

Municipalities frequently lose sight of delinquent revenues beyond property taxes and possibly utility payments when, in fact, there are many other sources of revenue which are equally likely to become delinquent if they are not properly overseen and managed. Here are some of the types of delinquencies that have been found in some municipalities:

- repayments to municipality or authority administered housing rehabilitation loan programs;
- collection of court time payments;
- PILOT (Payments in lieu of taxes) payments especially from housing authorities; and
- demolition payments due that could be handled in conjunction with tax and utility liens.

Implementation Guidelines/Parameters

Each unit affected by the occurrence of delinquencies is responsible for implementing a plan for addressing and therefore minimizing them. For most departments it is advisable to work with the tax collection office and coordinate efforts. In the case of court-related delinquencies, the judge and the court administrator should develop a method of addressing delinquencies that comply with court regulations and take advantage of the sanctions available through the court.

INSURANCE

Though a less visible cost, getting more from the insurance dollar and minimizing and controlling insurance related risks present a significant cost savings opportunity to local governments. Therefore it is local government officials' responsibility to actively manage and review coverages related to general liability, property and workers' compensation insurance.

What Works

An effective insurance program includes:

- using all the services of a Joint Insurance Fund (JIF), where a well run JIF is available;
- competitively bidding insurance coverage and third party administrator services;
- having a single point of contact within municipal government to manage insurance related issues;
- having an active risk management program;
- having an independent institution perform workers' compensation related medical reviews;
- utilizing light duty for return to work, as appropriate, to return employees to work more quickly; and
- having appropriate, accurate and current documentation of coverage provisions.

Impact: Tax dollars are conserved when the municipal insurance program is actively managed both in terms of controlling risk and assuring that only that coverage which is appropriate is provided based on an accurate property inventory and current employee information.

What Doesn't Work

Insurance management is often one of the tasks that falls through the cracks in local government. The pitfalls include:

- basing coverage on an outdated asset inventory which includes vehicles and property no longer owned by the municipality;
- providing the same coverage for all items in a category;
- paying a higher premium due to poor risk management;
- not having a safety committee or having a safety committee that is not staffed with the appropriate people;
- not using routine safety precautions such as checking drivers abstracts, using safety equipment and checking facilities and practices for safety hazards;
- not making employees responsible for using safe practices;
- not having a contract for a third party administrator;
- not competitively bidding third party administrator services; and
- supplementing workers compensation to make the employees' salary whole;

Impact: Poor risk management, carrying insurance for property not owned and not closely overseeing the activities of the third party administrator results in higher insurance costs. Even more significant is the loss in employee productivity that can occur when risk management practices are not an active part of the municipality's management program.

Implementation Guidelines/Parameters

An insurance program can be quickly improved with the designation of a risk manager, the establishment of a risk management committee and the development of an accurate asset management database. These actions can be undertaken by the administrator immediately. The committee can begin by reviewing, updating and writing policies and procedures and then begin to look at, reassess and competitively bid insurance related contracts.

MUNICIPAL PROPERTY

A local government has a responsibility to conserve the value of assets and assure that only those assets required to do business are acquired and maintained.

What Works

A cost efficient, proactive asset management process includes:

- auctioning assets which have outlived their usefulness;
- maintaining an accurate inventory of assets, such as an automated system tied into the purchasing process;
- locating assets in a manner that meets the demand for service without unnecessary duplication;
- having a policy about the distribution and use of vehicles;
- having and adequately funding a facilities maintenance and development plan;
- maintaining assets in a cost effective manner; and
- having centralized control over assets so that one individual is responsible for coordinating the use, maintenance and disposition of assets.

Impact: A flexible, responsive, asset management program means that assets are not maintained while sitting idle, assets are not duplicated, assets are purchased to meet well formulated needs, and assets are maintained to lengthen their useful life and preserve their value.

What Doesn't Work

Some of the costly asset management practices found included:

- fragmented, duplicated vehicle maintenance operations for separate departments, as well as separate entities in the same jurisdiction;
- a per unit cost per vehicle that is above average and greater than the cost provided through competitive bidding;
- no inventory management system;
- poor record keeping that prevents an assessment of the value of maintaining versus replacing assets;
- nonworking parking meters are not replaced causing a loss of revenue;
- water meters are not scheduled for routine replacement to assure accuracy and prevent loss of revenues;
- no capital replacement plan/process for the sewer system causing the system to deteriorate to the point that infiltration is costing the municipality more for the pumping and processing of the flow;
- facilities do not comply with existing laws, most notably the ADA;
- facilities are retained and operated or abandoned without regard to the true analysis of renovation versus replacement;
- no defensive driving training and no policy that holds drivers accountable, leading to an excessive number of motor vehicle accidents;
- vehicles are leased without competitive bidding in violation of state law;

- custodial services provided in-house are more costly than those provided through a competitive contract;
- fuel dispensing and billing is not monitored and secured;
- the number of vehicles maintained by a community is excessive;
- personnel damage vehicles with impunity;
- vehicle maintenance records are not kept consistently;
- unused buildings and land continue to be maintained off the tax roles; and
- surplus assets are given away or thrown out instead of auctioned publicly.

Impact: The impacts of these practices include an increased risk of injury from poorly maintained vehicles, higher vehicle and building maintenance costs, increased liability exposure for failure to meet regulations and for inadequate conditions of vehicles or buildings, and tax loss from maintaining unused property off the tax rolls.

Implementation Guidelines/Parameters

The administrator can initiate an analysis of the inventory of property and the cost of its maintenance and develop a plan to implement improvements. Many of the specific actions such as contracting for services and disposing of property will require preparation and approval by the council.

ECONOMIC DEVELOPMENT

Maintaining and increasing the value of the tax base and maximizing the amount of taxable property in the community is an effective means of moderating individual tax burdens.

What Works

A community is successfully using economic development to stabilize the property tax burden, when:

- there is a comprehensive long range plan for economic development that serves to focus all available resources in an efficient manner on the goals of that plan;
- tax abatement is only used to the extent that the cost in tax dollars does not outweigh the benefit;
- economic development programs are integrated into the municipal operation, not separate independent programs;
- economic development measures are monitored and evaluated to assure that they are contributing to the municipality's goals;
- regulatory actions of the community are only those required to provide a safe and positive business environment; and
- tax assessments are up to date and accurate.

What Doesn't Work

It is very common for economic development solutions to be implemented in a manner that is less effective because they are not looked at as part of the entire environment. Some of the symptoms and/or results of this are:

- organizations such as those involved in housing, economic development and industrial development operate separately and in conflict with one another;
- municipalities become involved in providing direct products or services that would be best provided through a contract with a private vendor;
- regional development agencies and local development agencies do not cooperate in setting and achieving economic goals that affect the tax base of the local government;
- programs operate with no oversight or accountability resulting in waste and an inability to achieve their purposes;
- procedures related to construction code enforcement, low income housing development and planning and zoning all overlap and conflict to make development difficult; and
- tax abatements are enacted without an understanding of their relation to benefits versus tax loss and then they are not evaluated over a period of time to assure that the impact has not become negative.

Implementation Guidelines/Parameters

These issues cut across departments and agencies. The administrator can begin by assessing the current situation, however, an economic development policy needs to be developed by elected officials and then a plan that includes input from nonprofits, planning and zoning boards, construction code, tax assessment and any other entity that can impact economic development must be formulated and implemented.

COUNCIL/CLERK'S OFFICE

CLERK'S OFFICE

The clerk's office is the repository of all official records and documents and, as such, must be effective in the organization of the information. This office has an opportunity to play a key role in the facilitation of the government process.

What Works

An effective clerk's office is characterized by:

- having an automated system of recording and maintaining information;
- maintaining accurate records on a timely basis;
- serving as a clearinghouse for information;
- complying with laws and regulations relating to open meetings and availability of public documents;
- assuring that the municipal code is updated reliably on a regular basis; and
- maintaining all contracts and other official documents.

Impact: A positive atmosphere is created that allows for the free flow of information and facilitates the decision making process to the benefit of the public at large.

What Doesn't Work

A clerk's office can have a significant negative impact on a government and a community when:

- the municipal code is not up to date;
- agendas and minutes are not recorded accurately or in a timely manner;
- open meeting laws are not complied with;
- records are maintained by hand;
- contracts are missing from the files or are incomplete or have written in changes rather than appropriate amendments;
- the municipality is forced to hire or use additional staff to compensate for the clerk's inadequacies; and
- the clerk visibly sides with one faction of the council over another.

Impact: The ultimate result is poor decision making, a lack of accountability, waste of tax dollars through unethical behavior and an overall distrust of government on the part of the public.

Implementation Guidelines/Parameters

If there is a good relationship between the administrator and the council they can work together to implement improvements in the operation of the clerk's office. If the clerk is the defacto administrator it is left to the council alone to assure that improvements are made. The clerk's tenure seems to be the greatest obstacle to making improvements.

GOVERNING BODY/COUNCIL

The governing body has an obligation to set policy and appoint public administrators that can effectively implement those policies.

What Works

An effective governing body:

- appoints a professional administrator and CFO;
- shares administrator, CFO or other appropriate staff with school district as appropriate;
- demands professionalism and objectivity from the clerk;
- operates in a manner that eliminates even the perception of unethical activities, especially as they relate to expenses incurred and contracts awarded; and
- sets policies and allows the professional administrators to implement them without political interference.

Impact: The council makes decisions based on objective information, and the public perceives the council as effective, responsive and professional.

What Doesn't Work

With the advent of cable broadcasts of council meetings, the public can see how decisions are made first hand. On more than one occasion these weekly broadcasts have been termed the “fights” or the “comedy hour.” This lack of respect for governing body activities often results from the:

- failure to read and process agenda data;
- failure to have appropriate data for the decision to be made;
- inability to separate partisan politics from the impact of the decision;
- unethical behavior;
- inappropriate use of cars, cellular telephones, travel expenses;
- inappropriate involvement in the day to day operations of the municipality; and
- unruly behavior.

Impact: The end result of this is frequent turnover of council seats and or a lack of confidence in the decision makers on the part of the public.

Implementation Guidelines/Parameters

It is recommended that all newly elected officials participate in the state-wide training programs that help to orient them to appropriate conduct, rules and regulations. It is also imperative that council expenditures and policies concerning cars and reimbursements be the same as those applying to public employees.

MUNICIPAL COURT

The operation of the municipal court, though impacted greatly by court rules and regulations, has a great deal to do with the level of expenditures made by a municipality, revenue flow and overall law enforcement in the community.

What Works

A municipal court contributes to the well-being of its community by:

- assuring that staff is knowledgeable, well trained and appropriate in number for the workload;
- utilizing all the automated resources available through the state;
- analyzing and evaluating practices based on the data available through the automated system;
- relying on the municipal finance department to assure appropriate investment and turnover of funds;
- preparing reports and making payments by the monthly due date;
- turning lapsed bail monies over to the municipality on a regular basis;
- having an appropriate number of sessions given the volume, size of the court room and the need for a variety of court hours;
- segmenting court sessions in order to minimize the crowd in the court room;
- having staff that is courteous and helpful to the public; and
- taking timely action on time payment delinquencies.

Impact: The impact of a court that is well run and balances its obligations to the judiciary and the municipality provides a cost effective service which minimizes the court's impact on property taxes.

What Doesn't Work

Court administration fails its community when:

- it is not up to date with automation;
- court scheduling is limited to daytime hours;
- court scheduling is limited to a single eight hour time slot instead of breaking it into several time slots;
- the court does not cooperate with the police or other municipal departments;
- the court does not respond to time payment delinquencies;
- the court is overstaffed for its workload;
- court staff is ill trained and/or unresponsive to the public;
- reports are not issued and revenues disbursed by the deadline each month;
- revenues are not invested effectively; and
- unclaimed bail is allowed to sit idle for years.

Impact: The impact of an unresponsive and rigid court staff that does not recognize its role in the community is an alienated public, inefficient use of revenues, and unnecessarily high expenses which ultimately require a greater tax levy to support.

Implementation Guidelines/Parameters

Implementing improvements in the operation of the court require the support of the Administrative Office of the Courts (AOC), the assignment judge, the municipal judge, the municipal administration, and in many cases, the police department. The AOC has resources available for training and review of operations. This is a resource that can be accessed readily. In addition, collaboration between the interested parties in the development of a plan to improve and maximize the cost efficiencies of court operations is essential.

COORDINATING RESOURCES

SHARED RESOURCES

The smaller the entity, the more likely it will benefit from sharing resources within its community.

What Works

The entities that could benefit from pooling resources are:

- municipalities;
- county agencies;
- schools;
- utilities;
- authorities; and
- colleges.

Some of the areas that could benefit from shared services within communities include:

- certain administrative operations;
- payroll;
- purchasing;
- vehicle maintenance;
- building and grounds maintenance;
- cash management;
- MIS;
- snow removal;
- insurance;
- vehicle fuel; and
- health benefits.

What Doesn't Work

Sharing resources is ineffective when there is a:

- lack of communication between entities;
- turf war between entities over control issues; and
- improper analysis of alternatives.

Implementation Guidelines/Parameters

Services suitable for sharing with another entity can be identified by a committee made up of representatives from each potential participant.

REGIONALIZATION

Both small and large, stable and growing communities can benefit from the reallocation of fixed costs and the lowered per unit cost that often result from the joining of local government entities to provide a service.

What Works

Regionalizing service delivery can take many forms. It can be accomplished by joining with a neighboring community, participating in a county-wide initiative or cooperating with a series of communities that may even be spread out but must address the same issue.

Current examples of regionalization that work are:

- JIFs;
- county library systems;
- health services;
- construction code enforcement;
- state grant funded regional programs; and
- county based Title III programs for the elderly.

Impact: Coordination of services assures that potential beneficiaries don't get lost between jurisdictions, the fixed costs per unit are reduced, an efficiency of scale is achieved and the variety and quality of services are increased.

What Doesn't Work

A duplication of services is very common in the areas where regional systems exist. The areas of duplication that commonly exist are:

- Title III food programs that are offered in the same municipality by the county and the local government;
- communities pay for and benefit from both a municipal and county library;
- taxpayers pay for both county and local health services; and
- construction code enforcement inspections are available at the county and local level.

Implementation Guidelines/Parameters

An administrator and the governing body can begin to identify service provider overlaps and then develop a plan for addressing overlaps while improving service. The first implementation of a regional effort can take a significant amount of time based on the need to negotiate the exact services involved and the cost of those services.

COMPETITIVE CONTRACTING

What Works

Competitive contracting works when there are multiple vendors already providing a service in the private sector and their costs are less than those in the public sector. Areas conducive to competitive contracting include:

- recycling;
- street sweeping;
- building trade inspections, i.e. plumbing, electrical, etc.;
- refuse removal;
- leaf pick up;
- operation of a recreational facility;
- custodial;
- building maintenance;
- ground maintenance and shade tree maintenance;
- road repair; and
- vehicle maintenance.

Impact: Sharing services can increase the purchasing power of more than one entity, streamline fixed costs and facilitate a higher level of service.

What Doesn't Work

Competitively contracting for services does not work when:

- the specifications are not carefully constructed;
- there are few vendors providing the service in the private sector;
- the service is not competitively bid;
- there is no staff to provide contract oversight and assure compliance;
- a service is contracted out and the public sector staff that had been providing it are retained without reassignment; and
- the function is already being performed in a cost efficient manner by public staff.

Impact: Poorly executed competitive contracting can be more costly than producing a service or product in house.

Implementation Guidelines/Parameters

To begin to implement contracting for services, the administrator should lead a collaborative effort that includes participation by the lead managers to identify and prioritize services which could be more cost effectively delivered through competitive contracting. From there, the process requires development of detailed and thorough bid specifications that are then distributed for competitive bid. As per the local public contracts law, the lowest responsible bid is then selected.

VOLUNTEERS/COMMUNITY SUPPORT

The involvement of the public in fund raising or volunteering to support a municipal program is beneficial in terms of both cost savings and the positive impact of having voters/taxpayers/residents involved in their community.

What Works

Volunteers are successfully used for:

- library services;
- recreational programs;
- health services;
- Emergency Medical Services (EMS)
- fire; and
- planning, zoning and other commissions.

Fund raising or solicitation of donations is appropriate in a community for those programs that are not used by the general public or to fund a higher level of service than the tax base would normally allow. Some examples include:

- sports programs;
- other recreational programs;
- library services;
- EMS;
- fire;
- programs for the elderly; and
- programs for the homeless.

Impact: The results of volunteer and fund raising efforts are the provision of increased services to the community for less tax dollars and the creation of a feeling of commitment in the individuals who are participating in the effort.

What Doesn't Work

There are a few potential pitfalls in volunteer and fund raising programs. They are:

- lack of adequate and appropriate public access to financial records;
- misuse of funds;
- volunteers who are unresponsive to the community's needs identified by the administration;
- administrators who are distrustful or unsupportive of volunteers;
- administrators who do not require fiscal accountability from volunteer organizations prior to providing them with funds; and
- volunteers who focus on their own interests rather than on the interests of the community.

Implementation Guidelines/Parameters

An active and responsive volunteer contingent is dependent on having an individual available to guide them and provide them with the support they need. The administrator should direct department directors to identify ways to use volunteer personnel or independent fund raising. In addition, a local government would do well to begin to identify and recognize the volunteers that are already active in the community.

STATE OF NEW JERSEY
Department of the Treasury
Local Government Budget Review
PO Box 002
Trenton, New Jersey 08625-0002

Louis C. Goetting, IV
Deputy State Treasurer

Meredith L. Stengel
Director
Local Government Budget Review

Dr. Wayne A. Cochrane
Deputy Director

Frederick (Rob) Robison
Deputy Director

James J. Stores
Team Leader

Jennifer Driscoll Petrino
Team Leader

Naomi Bourodimos
Matthew DeKok
Gilbert Francis
Patricia Griffith
Anita Lai
Vincent Mastrocola

Eugene McCarthy
Lawrence McCormick
Nancy Scott
James Smith
Richard Thompson